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Canada. Railways and Shipping, Standing
Committee on, 1943.

SESSION 1943

HOUSE OF COMMONS

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(STANDING COMMITTEE)

ON

RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

MONDAY, MARCH 29, 1943

TUESDAY, MARCH 30, 1943

WITNESSES:

Mr. H. J. Symington, K.C., President, Trans-Canada Air Lines.

Mr. Geo. Herring, Chief Superintendent of Air and Land Mail Services,
Post Office Department.

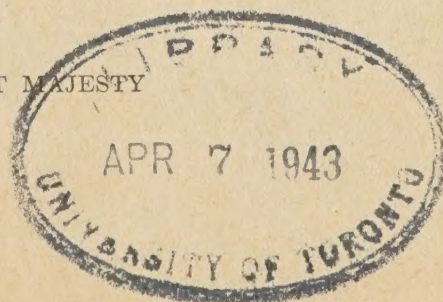
Mr. O. A. Matthews, of George A. Touche & Company, Auditors.

OTTAWA

EDMOND CLOUTIER

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1943



ORDERS OF REFERENCE

MONDAY, 15th February, 1943.

Resolved,—That the Standing Committee of this House shall severally be empowered to examine and inquire into all such matters and things as may be referred to them by the House and to report from time to time their observations and opinions thereon; with power to send for persons, papers and records.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

TUESDAY, 2nd March, 1943.

Resolved, —That Standing Order 63 of the House of Commons, relating to the appointment of standing committees of the house, be amended by adding to the standing committees of the house for the present session a standing committee on railways and shipping owned, operated and controlled by the Government, to which will be referred accounts and estimates and bills relating thereto of the Canadian National Railways, The Canadian National (West Indies) Steamships, and Trans-Canada Air Lines for the present session, for consideration and report to the house; provided however that nothing in the resolution shall be construed to curtail in any way the full right of discussion in committee of supply; and that the said committee consist of: Messrs. Donnelly, Dubuc, Durocher, Emmerson, Ferland, Gray, Hanson (*Skeena*), Harris (*Danforth*), Hazen, Howden, Howe, Jackman, Lockhart, McCulloch, Maybank, Nicholson, Parent, Pouliot, Roebuck, Ross (*Middlesex East*), Sanderson, Shaw, Sissons.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

WEDNESDAY, 17th March, 1943.

Ordered,—That the name of Mr. Hanson (*York-Sunbury*) be substituted for that of Mr. Hazen on the said Committee.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

WEDNESDAY, 24th March, 1943.

Ordered,—That the name of Mr. Michaud be substituted for that of Mr. Howe on the said Committee.

Ordered,—That the Annual Report of the Directors of the Trans-Canada Air Lines, for the year ended December 31, 1942, be referred to the said Committee.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

MONDAY, 29th March, 1943.

Ordered,—That the Annual Budget of the Canadian National Railways and Canadian National (West Indies) Steamships Limited, and the Annual Reports for the year 1942, tabled to-day, viz:—Canadian National Railway System; Canadian National (West Indies) Steamships Limited; Canadian National Railways Securities Trust; Report of George A. Touche and Company, Auditors of the Accounts of the Canadian National Railway System, etc., be referred to the said Committee, together with the following items of the Estimates for 1943-44:—

Vote No. 385 Maritime Freight Rates Act—Canadian National Railways;
Vote No. 386 Maritime Freight Rates Act—Railways other than Canadian National;

Vote No. 405 Canadian National (West Indies) Steamships, Limited—Capital Advances;

Vote No. 406 Prince Edward Island Car Ferry and Terminals—Deficit, 1943.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

WEDNESDAY, 31st March, 1943.

Ordered,—That the said Committee be given leave to print, from day to day, 500 copies in English and 200 copies in French of its Minutes of Proceedings and Evidence, and that Standing Order 64 be suspended in relation thereto.

Ordered,—That the quorum of the said Committee be reduced from 12 to 8 members.

Ordered,—That the said Committee be given leave to sit while the House is sitting.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORT TO THE HOUSE

MONDAY, 29th March, 1943.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government, begs leave to present the following as its

FIRST REPORT

Your Committee recommends:

1. That it be given leave to print, from day to day, 500 copies in English and 200 copies in French of its minutes of proceedings and evidence, and that Standing Order 64 be suspended in relation thereto.
2. That its quorum be reduced from 12 to 8 members.
3. That it be given leave to sit while the House is sitting.

All of which is respectfully submitted.

J. P. HOWDEN,
Chairman.

MINUTES OF PROCEEDINGS

MONDAY, 29th March, 1943.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government, met at 11 o'clock a.m.

Members present: Messrs. Donnelly, Dubuc, Emmerson, Hanson (*Skeena*), Hanson (*York-Sunbury*), Howden, Jackman, McCulloch, Michaud, Nicholson, Ross (*Middlesex East*), Sanderson, Sissons.

Hon. Mr. Howe, former Minister of Transport, was also present.

In attendance: Commander C. P. Edwards, Deputy Minister of Transport; Mr. R. C. Vaughan, Chairman and President, Canadian National Railways; Mr. H. J. Symington, K.C., President, Trans-Canada Air Lines, and other officials of the Canadian National Railways and Trans-Canada Air Lines; Mr. George Herring, Chief Superintendent of Air and Land Mail Services, Post Office Department, and Mr. O. A. Matthews of George A. Touche & Co., Auditors.

On motion of Mr. Hanson (*Skeena*), seconded by Mr. Hanson (*York-Sunbury*), Mr. Howden was elected Chairman.

Mr. Howden took the Chair and expressed his thanks to the members for the honour conferred upon him.

On motion of Mr. McCulloch—

Resolved—That the Committee request permission to sit while the House is sitting.

On motion of Mr. Hanson (*Skeena*)—

Resolved—That the Committee request permission to print, from day to day, 500 copies in English and 200 copies in French of its minutes of proceeding and evidence.

On motion of Mr. Donnelly—

Resolved—That the House be requested to reduce the Committee's quorum from 12 to 8 members.

The Committee proceeded to consider the Annual Report of Trans-Canada Air Lines for the year ended December 31, 1942.

Mr. Symington read from the report and was questioned thereon. He was assisted by Mr. O. T. Larson, Vice-President, and Mr. T. H. Cooper, Comptroller.

At the outset of Mr. Symington's evidence discussion arose as to the advisability of publishing the salaries of the operating officers of Trans-Canada Air Lines, and Mr. Hanson (*York-Sunbury*) moved that these salaries be made known to the Committee.

The question being put it was resolved in the negative.

In the course of his examination Mr. Symington filed a copy of the rules and regulations relative to the Trans-Canada Air Lines Pension Fund effective January 1, 1943.

Questions relating to air mail service were answered by Mr. Herring.

At 1 o'clock p.m. the Committee adjourned to the call of the Chair.

R. ARSENAULT,
Clerk of the Committee.

TUESDAY, 30th March, 1943.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government, met at 11 o'clock a.m., the Chairman, Mr. Howden, presiding.

Members present: Messrs. Donnelly, Dubuc, Emmerson, Ferland, Gray, Hanson (*Skeena*), Hanson (*York-Sunbury*), Harris (*Danforth*), Howden, Jackman, Lockhart, McCulloch, Michaud, Nicholson, Parent, Pouliot, Ross (*Middlesex East*), Sanderson, Sissons. Hon. Mr. Howe, former Minister of Transport, was also present.

In attendance: Commander C. P. Edwards, Deputy Minister of Transport; Mr. R. C. Vaughan, Chairman and President, Canadian National Railways; Mr. H. J. Symington, K.C., President, Trans-Canada Air Lines, and other officials of the Canadian National Railways and Trans-Canada Air Lines; Mr. George Herring, Chief Superintendent of Air and Land Mail Services, Post Office Department, and Mr. O. A. Matthews, of George A. Touche & Co., Auditors.

Mr. Symington resumed the reading of his Annual Report to the Shareholders of Trans-Canada Air Lines, and was further examined on the said Report. Mr. Symington was assisted by Mr. O. T. Larson, Vice-President, and Mr. T. H. Cooper, Comptroller.

In the course of Mr. Symington's evidence, Mr. Matthews was briefly examined in relation to depreciation account.

On motion of Mr. Jackman, it was resolved that the relevant parts of all treaties between Canada and the British Empire or foreign countries having to do with air transportation be incorporated as part of this day's proceedings. (*See Appendix "A".*)

On motion of Mr. Pouliot, it was resolved that all By-laws of Trans-Canada Air Lines be printed as an Appendix to this days' proceedings. (*See Appendix "B".*)

Mr. Symington having concluded the reading of his Report to the shareholders, it was suggested and agreed that a breakdown of the "Income Account" be prepared for members of the Committee before the next sitting.

At 1.00 o'clock the Committee adjourned until to-morrow, Wednesday, March 31, at 11.00 o'clock a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

March 29, 1943.

The Standing Committee on Railways and Shipping met this day at 11 o'clock a.m. The Chairman, Mr. J. P. Howden, presided.

The CHAIRMAN: Gentlemen of the committee, I thank you most kindly for the courtesy which you have bestowed upon me on this occasion. I now call the meeting to order.

Gentlemen, might I say, as in the case of last year, the officials of the transportation system have indicated that they are very short-handed and busy with their regular routine work and they would like if possible for the committee to expedite the review of the report. That does not mean that the report should not receive due consideration, but there are ways and means of saving time. As far as possible we should like to expedite the examination of this report.

Before we proceed we shall have to decide as to whether we wish permission to sit while the house is in session and also what the views are in regard to printing. There are usually a couple of motions that are submitted before the proceedings really advance to any degree and it is in connection with these two matters that I shall make a few remarks now. The first motion that is handed to me is that the committee request permission to sit while the house is sitting.

Hon. Mr. HANSON: Are you proposing to make that operative at once, for instance, this afternoon? We have budget resolutions, as you know, and we have to give some consideration to them.

The CHAIRMAN: It is up to the committee.

Hon. Mr. HANSON: Do we have to do it now?

Mr. DONNELLY: We can ask for permission to-day.

Hon. Mr. HANSON: Yes, but let us not go on for a little while.

Hon. Mr. MICHAUD: Let us make the motion to-day so it will take effect to-morrow.

Mr. McCULLOCH: I make that motion.

Mr. DONNELLY: I second it.

Motion agreed to.

The CHAIRMAN: Then, with regard to printing, I have been handed a motion that the committee request permission to print from day to day 500 copies in English and 200 copies in French of its minutes and proceedings and evidence and that Standing Order 64 be suspended in relation thereto.

Hon. Mr. HANSON: Do you have to have permission from John Thompson?

Mr. HANSON (*Skeena*): I make that motion.

Mr. McCULLOCH: I second it.

Motion agreed to.

The CHAIRMAN: Now, with regard to the quorum, the official quorum, I understand, is twelve.

Mr. DONNELLY: How many have you on the committee?

The CHAIRMAN: Twenty-three. Last year we had difficulty in getting the committee started because of a lack of a quorum and we reduced it to ten.

Hon. Mr. MICHAUD: The motion was "Ordered that the quorum of said committee be reduced from twelve to eight."

The CHAIRMAN: Will you deal with the matter now or do you wish to proceed as we are for a while?

Hon. Mr. HANSON: We will have to have a motion for that.

Mr. DONNELLY: I move the quorum be reduced from twelve to eight.

Mr. EMMERSON: I second it.

Motion agreed to.

The CHAIRMAN: Now, gentlemen, the committee is in your hands as to the method of procedure but we have only one report before us this morning and that is the Annual Report of the Trans-Canada Air Lines, so we have of necessity to take up the report this morning. The usual move is to have the president read such parts of the report as he deems wise and to follow him as we go along. Is it your wish that the committee shall proceed in this manner?

Some Hon. MEMBERS: Yes.

Mr. H. J. SYMINGTON, K.C., called:

Hon. Mr. HANSON: Before Mr. Symington begins his report may I ask a question of him?

The CHAIRMAN: Yes.

Hon. Mr. HANSON: The question I should like to ask is as to the composition of the board of directors and the officers. I notice the board consists of seven members, three of whom are representative of government departments, Mr. Edwards, Mr. Wilson and Mr. Herring; they are civil servants. The other four members of the board of directors include Mr. Vaughan, president of the Canadian National Railways, Mr. Symington, Mr. Gagnon and Mr. Northey. These are all company officials. Is that the policy of the government or of the C.N.R. or whoever is in control? Is it the policy of whoever is in control to have the board of directors entirely composed of officials of the civil service and of the Canadian National Railways?

Mr. SYMINGTON: I think it is covered by the Act, Mr. Hanson. Four of them are appointed by the Canadian National Railways board, and the other three are appointed by the Governor in Council.

Hon. Mr. HANSON: It is in the Act?

Mr. SYMINGTON: In the Act.

Hon. Mr. HANSON: Very well, that answers the question. Then, the officers of the company as a rule are all officers of the Canadian National Railways. I suppose that is to save duplication.

Mr. SYMINGTON: No, sir.

Hon. Mr. HANSON: Largely?

Mr. SYMINGTON: No, apart from myself you go all the way down to Hobbs, the secretary. All operating people are not in the railway company at all.

Hon. Mr. HANSON: No, the actual operation is not, but the secretary and Mr. Cooper the comptroller and Mr. Baldwin, auditor—he is not a railway man?

Mr. SYMINGTON: No.

Hon. Mr. HANSON: Mr. Cowie is in the C.N.R.?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: Mr. Fairweather?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: Mr. Thompson?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: Mr. Schofield?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: Dr. Dowd?

Mr. SYMINGTON: Yes. The arrangement, Mr. Hanson, is that we make an arrangement for the services of these railway people for the purpose of saving overhead and we pay them for their services. I can give you a list of the amounts in each department. I figure that we save, I should think, about \$60,000 to \$75,000 a year in overhead by the use of these departments of the Canadian National Railways, instead of having two separate organizations.

Hon. Mr. HANSON: That is to say, they get paid additional for their services?

Mr. SYMINGTON: They do not, but the company does. We contribute to the cost, let us say, of the medical services of the railway; we contribute \$5,000 for Dr. Dowd's services, but it does not go to Dr. Dowd, it goes to the Canadian National Railways medical services.

Hon. Mr. HANSON: Meaning by "we", the Trans-Canada?

Mr. SYMINGTON: Trans-Canada, yes.

Hon. Mr. HANSON: You pay for the services; it goes to the railway but not to the officers?

Mr. SYMINGTON: Quite so.

Hon. Mr. HANSON: Is there any objection to giving us the salaries of these gentlemen?

Mr. SYMINGTON: Well—

Hon. Mr. HANSON: The officers?

Mr. SYMINGTON: It always has been objected to. The directors, of course, get nothing, I get nothing.

Hon. Mr. HANSON: You do not need it.

Mr. SYMINGTON: It is a matter of personal opinion.

Hon. Mr. HANSON: I suppose, having regard to income tax, you do need it.

Mr. SYMINGTON: I think so; however, that is neither here nor there.

Hon. Mr. HANSON: I agree with you.

Mr. SYMINGTON: The operating men, we have not been in the habit of disclosing those salaries; it is really a business matter. We have competitors and—

Hon. Mr. HANSON: No competitors.

Mr. SYMINGTON: At any rate, it has not been the habit.

Mr. JACKMAN: No competitors.

Mr. SYMINGTON: I believe the committee decided each year that it was not—

Hon. Mr. HANSON: This is a company owned by the Crown and these people are public servants and there is no more reason why their salaries should not be made public than mine.

Mr. SYMINGTON: Well, I do not—

Hon. Mr. HANSON: It is the principle of the thing I am thinking of; it is indefensible.

Mr. SYMINGTON: I am in the hands of the committee or the government. True this is a government company in the sense it is owned by the Canadian National Railways, and the Canadian National have never disclosed the salaries of their people, as I understand it.

Hon. Mr. HANSON: Yes they did. They did it in 1934.

Mr. SYMINGTON: The principle has been followed by this company.

Hon. Mr. HANSON: The salaries were usually astonishing.

Mr. SYMINGTON: That may be so.

Hon. Mr. HANSON: I should like to know the salaries of these officials.

Hon. Mr. HOWE: I presume at the moment what you want is the contribution of Trans-Canada Air Lines to the railway on their account, is it not?

Hon. Mr. HANSON: Oh, no; it is very limited. I should like to know what these people are getting. I am a believer in paying good salaries. I think the government services as a rule are underpaid for good men, but I think the public has a right to know what the salaries are.

Hon. Mr. HOWE: I ask the honourable member if he does not think the proper man to give that evidence is the president of the railway when he is on the stand? After all, Trans-Canada Air Lines do not pay their salaries, and it does not seem to me that Mr. Symington is the appropriate person to ask for that information.

Mr. SYMINGTON: He is asking for Mr. Larson's and these other people's salaries.

Hon. Mr. HANSON: I am not asking for Mr. Fairweather's or Dr. Dowd's salaries; I presume they are well paid.

Mr. HANSON (*Skeena*): Should we not proceed with the report before we discuss the salaries?

The CHAIRMAN: It is quite legitimate. The only question that presents itself to my mind is whether the policy of the railway company has a right to be questioned by this committee.

Hon. Mr. HANSON: I am not questioning the quantum; I would probably approve every one of them, but what I am raising is the question of principle. Is not the public entitled to know what the salaries of these operating officials are?

The CHAIRMAN: You mean has the company the right to cover the salaries of the officials in the interest of business, of their own business?

Hon. Mr. HANSON: This is a publicly-owned company and there are no competitors.

Mr. SYMINGTON: May I suggest this to you? You are perfectly right, the government companies are underpaid.

Hon. Mr. HANSON: I said "civil servants".

Mr. SYMINGTON: Well, I think officials of the government companies relatively are underpaid too.

Hon. Mr. HANSON: That may be true.

Mr. SYMINGTON: And it is very difficult you see sometimes to get good men for your somewhat junior positions, with the idea that they will work up to higher positions, if a limit is put on their salaries by a parliamentary committee or if—

Hon. Mr. HANSON: I do not think a parliamentary committee would undertake to put a limit on their salaries.

Mr. SYMINGTON: Or if their private affairs are bandied about. I think it is an objectionable principle. As I say, I am in the hands of the committee, but I feel a public company should as far as possible be operated the same as a private company, if it has got to compete—

Hon. Mr. HANSON: You will notice, Mr. Symington, in the United States the salaries of the executive officials in private companies are now being published. The whole trend is that way, to let the stockholders know what is being paid. These people are in a different category in that they are servants of the public to a degree. In addition to that, if you are paying decent salaries you need not worry about your competitors. As a matter of fact, this company has no competitors.

Mr. SYMINGTON: Yes, it has.

Hon. Mr. HANSON: Well, in a very limited sense.

Mr. SYMINGTON: In the United States it is not because they are public servants. If the salaries of everybody in Canada under income tax regulations were published the same as in the United States I, of course, could have no objection to the salaries of these officials being published and discussed, but that has not been the policy in this country. Your salary and my salary in our private occupations are not published or a matter of public discussion and I do not think you should single out a man because he happens to work for a company that is owned by the government. I do not think he should be treated any differently from a man who works for a company that does not work for the public.

Hon. Mr. HANSON: All civil servants' salaries in Canada are published. We have had the Wartime Information Board salaries brought down in the house.

Mr. SYMINGTON: Maybe the civil service, but the civil servants are a little different from a privately-operated company.

Hon. Mr. HANSON: Your premise is wrong; this is not a privately-operated company, it is a government company.

Mr. SYMINGTON: It is a government-owned company as I say, but it is a company operating in actual business in the community and to my way of thinking should be no different from any other private company if you want to run it properly.

Hon. Mr. HANSON: Oh, yes.

The CHAIRMAN: If you move for this information we shall have to deal with it.

Hon. Mr. HANSON: I am asking for it.

The CHAIRMAN: If you ask for the information and make a motion to that effect will submit to the committee.

Hon. Mr. HANSON: I would like to hear the other members of the committee express an opinion.

Mr. HANSON (*Skeena*): If you get this information about the Trans-Canada Air Lines naturally we will be entitled to get the same information as far as the Canadian National Railways are concerned, and we have never had it before.

Hon. Mr. HANSON: I am not asking for that.

Mr. HANSON (*Skeena*): If you are asking for it from one company and receive it there is no reason why you should not ask for it with regard to the other one.

Hon. Mr. HANSON: Wait until we meet that, when we come to it.

Mr. HANSON (*Skeena*): I do not think the competing company has given out the information; I do not think the C.P.R. has ever told us what they are paying.

Hon. Mr. HANSON: You have no right to ask for it.

The CHAIRMAN: If there is no motion forthcoming, and there is none before the chair, we will proceed.

Hon. Mr. HANSON: I understand your ruling is we are not to get the salaries.

The CHAIRMAN: What is that again?

Hon. Mr. HANSON: I understand we are not to get the salaries.

The CHAIRMAN: That is right. As chairman I can only abide by what has been done in other years; unless, of course, you care to submit a motion.

Hon. Mr. HANSON: Then, I would move—I asked a question of the president of this company: if he could not give this committee the salaries of these operating officers.

Mr. SYMINGTON: You mean, those paid by the air lines?

Mr. HANSON: I am not asking for any of the men who are in the employ of the Canadian National Railways and who get nothing directly from this company.

Mr. DONNELLY: You want to know only the amount this company gets from the parent company?

Hon. Mr. HANSON: I am not asking that at the moment. Mr. Howe told us that; that they paid a contribution into the accounts—is that right?

Hon. Mr. MICHAUD: No, he referred to a saving.

Mr. JACKMAN: There is the actual amount paid by T.C.A. to the C.N.R. You said that the amount they paid would be in the neighbourhood of \$60,000 to \$75,000 of a saving. That represents an amount which otherwise the T.C.A. would have to pay certain officials. I think what Mr. Hanson wants to get at is, how much is paid by the T.C.A., and how much by the C.N.R.

Mr. SYMINGTON: I think perhaps I placed that amount a little bit higher than it should be. The information which Mr. Cooper has just given me indicates that the amount is \$31,400. Do you want that by departments?

Hon. Mr. HANSON: No, no. That is a very commendable thing. Now, I would like to know the salaries of these operating officers who are paid directly by Trans-Canada Air Lines.

Mr. JACKMAN: Mr. Chairman, we certainly had these figures for salaries for the chief men of the T.C.A. in previous years, as you will recall very well, which were given to us in that regard. You say the situation is entirely different where you are handling public moneys in contrast to private moneys.

Hon. Mr. HOWE: I might point out that while this company is under government control it is a subsidiary of the Canadian National Railways.

Hon. Mr. HANSON: That has been given before.

Hon. Mr. HOWE: I doubt it very much. I would like to see in any report of the meetings of this committee where in past years we have given a statement as to these salaries. I think I have attended nearly all of the sittings of this committee in connection with Trans-Canada Air Lines and I cannot remember of that having been done.

The CHAIRMAN: No, not on air lines.

Hon. Mr. HANSON: I see that in 1941 this company received \$3,058,120.95 for carrying mail, and that in 1942 they received \$3,211,921.74 for the same purpose. That money all comes out of the taxpayers of this country directly or indirectly; either in taxes or through the Post Office Department; so that a large proportion, forty per cent at least, of revenue income account in this company is from that type of service. Why should not the public know, they own the company; why should not we know what it costs to operate that, taking the lump sum?

Mr. SYMINGTON: Of course, on that point Mr. Hanson, the Post Office Department is a department of the government and they pay Trans-Canada Air Lines a certain amount for carrying mail and they collected \$6,000,000 from the public for the payment of the amount you have indicated.

Hon. Mr. HANSON: Yes.

Mr. SYMINGTON: It is the cost of the service.

Hon. Mr. HANSON: I agree with that. If this were directly under the Post Office Department then, of course, we could get all these figures in the house.

Mr. SYMINGTON: Of course; but that hardly makes them a public company. They also pay all the other air lines for carrying mail.

Hon. Mr. HANSON: You and I know the position quite well. You are fencing with me.

Mr. SYMINGTON: Oh no, I am not fencing at all.

Hon. Mr. HANSON: Oh yes, you are; and you are a good fencer; I have watched you.

Mr. SYMINGTON: You and I never had to fence.

Hon. Mr. HANSON: Perhaps I have used the wrong term.

Mr. SYMINGTON: I should say this; that I as the operating head of this company am trying to run it in a proper manner; and I do not think that the salaries ought to be disclosed; if the committee, of course, think otherwise, why, they will be.

Hon. Mr. HANSON: I put it to you that you refuse to disclose these salaries.

Mr. SYMINGTON: No, I do not refuse. I say that I think it is a mistake and I do not want to disclose them. If the committee says yes, all right.

Hon. Mr. HANSON: All right; of course, that is another question. I move that the salaries be given to the committee.

Mr. JACKMAN: I second that.

The CHAIRMAN: On a show of hands, I declare the motion lost. And now, that having been disposed of, we will proceed to a consideration of the report. Mr. Symington, what part would you like to begin with?

Mr. SYMINGTON: I will read the whole thing.

The CHAIRMAN: All right, we will read the whole report.

Hon. Mr. HANSON: Paragraph by paragraph?

The CHAIRMAN: You can interrupt at any point you wish.

Hon. Mr. HANSON: I think probably every member of the committee has already read it.

The CHAIRMAN: All right, Mr. Symington.

Mr. SYMINGTON:

MONTREAL, March 16, 1943.

To the Shareholders:

The board of directors submit herewith the annual report of Trans-Canada Air Lines for the calendar year 1942.

The year's operations gave a further demonstration of the increasing usefulness of the air line to the people of the dominion. The volume of air mail, passenger and air express business again increased substantially and to meet the demand routes were extended and additional flights were provided. Covering Canada from sea to sea Trans-Canada Air Lines is an essential factor in national development and a powerful instrument in time of war.

RESULT OF OPERATIONS

	1942	1941	Increase
Operating Revenues	\$7,337,318.60	\$5,807,794.03	\$1,529,524.57
Operating Expenses	6,628,399.32	5,306,136.00	1,322,263.32
	<hr/>	<hr/>	<hr/>
Income Charges and Interest	708,919.28 214,004.25	501,658.03 199,221.24	207,261.25 14,783.01
Surplus	<hr/> \$ 494,915.03	<hr/> \$ 302,436.79	<hr/> \$ 192,478.24

Hon. Mr. HANSON: Might we just pause there: what proportion of the passenger traffic is due to the war?

Mr. SYMINGTON: You cannot definitely say, Mr. Hanson. But what we do is to inquire about why everybody is flying—because precedence very well indicates that—and we figure that about seventy per cent were on war business.

Hon. Mr. HANSON: Now, that is passenger business?

Mr. SYMINGTON: That is passenger.

Hon. Mr. HANSON: What is the total of passenger traffic?

Mr. SYMINGTON: The total of passenger traffic is—I will give you that figure.

Hon. Mr. HANSON: The report, at page 15, gives it as 104,446 for 1942.

Mr. SYMINGTON: And passenger revenue is \$3,065,452.96.

Hon. Mr. HANSON: And 70 per cent of that—

Mr. SYMINGTON: Seventy per cent of that, as far as we can figure it out, has something to do with war business—

Hon. Mr. HANSON: Well, the government pays them, directly or indirectly.

Mr. SYMINGTON: Well, directly or indirectly.

Hon. Mr. HANSON: Well, it all amounts to the same thing; so that a little better than a million was civilian passengers.

Mr. SYMINGTON: When you say civilian, sir; I would think—

Hon. Mr. HANSON: Non-war; I will put it that way.

Mr. SYMINGTON: Non-war, perhaps; as nearly as one could judge.

Mr. DONNELLY: What would that include?

Mr. SYMINGTON: That is the gross revenue from passengers.

Hon. Mr. HANSON: That represents the total passenger revenue.

Mr. DONNELLY: If you take your \$2,100,000 odd to which you referred away from the total of \$3,065,000 odd, you have not got quite a million.

Hon. Mr. HANSON: According to my mathematics it would be \$920,000 odd—less than a million. That is what I have. With reference to the war you include air and naval?

Mr. SYMINGTON: All the armed forces, and all that sort of thing; as near as we can get to it. A man probably would try to make out that he is engaged in the war effort directly or indirectly so as not to be deplaned, you know; but we have one, two, three and four as to priorities. If somebody has to be deplaned for a “must” ride then we have a list as to which classification is to be deplaned and we deplane them in order.

Hon. Mr. HANSON: It would be fair to say that if there was not so much priority, there would be a larger volume of civilian passenger traffic?

Mr. SYMINGTON: Entirely. I am perfectly satisfied that with the growth of air travel that has taken place would fill all planes without effort.

Hon. Mr. HANSON: Now then, a lot of airmail is carried by you people.

Mr. SYMINGTON: I think we come to that.

Hon. Mr. HANSON: Now, may I ask you in respect to the table which you just read what your operating ratio is? I have made a rough calculation and I have calculated that in 1941 it was 91 cents out of every dollar, and in 1942 it was 90 cents. I am not in a position to tell you whether it is high or low.

Mr. SYMINGTON: I can tell you in just a minute, Mr. Hanson.

Hon. Mr. HANSON: Assuming that the amount that you got is right.

Mr. SYMINGTON: That is right, approximately correct.

Mr. DONNELLY: Are you not, as a matter of policy, keeping your operating ratio as high as possible? If it were lowered that would affect your mail contracts, would it not?

Mr. SYMINGTON: Automatically, of course. Just as soon as you make a profit down comes the mail rate for the next year. You will see as we go through the report the lowered revenues we get per pound mile.

Hon. Mr. HANSON: That is in here, in your operating expense here; it was something over 90 per cent of the operating revenue.

Mr. SYMINGTON: That is right.

Hon. Mr. HANSON: Last year the ratio was 91 per cent, roughly. I want to know if that is a fair operating ratio for air lines.

Mr. DONNELLY: If you lower the operating charge, you immediately change your mail contract rate.

Hon. Mr. HANSON: I want to know if that is, or can be considered, a fair operating ratio.

Mr. SYMINGTON: I would say that anything under ninety-five is a good operating ratio.

Hon. Mr. HANSON: What is the operating ratio of a similar transportation system in the United States? That is the only way in which you could measure it.

Mr. SYMINGTON: Yes. They are in the nineties.

Hon. Mr. HANSON: Can you give me any details on that?

Mr. SYMINGTON: I can find it for you. Their 1942 reports are not as yet—except for one, I think that of United.

Hon. Mr. HOWE: Might I point out that the operating revenue was limited under the Trans-Canada Act. I think it would be impossible, and certainly in the spirit of the Act undesirable, that there be too great a spread there. We never intended it to be a profit-making company.

Hon. Mr. HANSON: That is a new theory of government operation.

Hon. Mr. HOWE: If you will remember the provision of the Act, it is that at least 50 per cent of the profits in any year shall be applied to reducing the mail rate.

Hon. Mr. HANSON: You had better not tell Mr. Coldwell that. If he gets in power, then nothing will pay, if that is the spirit of this thing.

Mr. DONNELLY: As I understand it, last year he said the same thing, that as we make profits we reduce the cost of carrying the mail.

Hon. Mr. HANSON: Whether the operating ratio in this to the amount received is 90 per cent too high, I do not know.

Mr. SYMINGTON: I would say it is not. Of course, you have to recognize this: the fact that you have to do more work and therefore have higher operating expenses for less revenue naturally it will keep your operating ratio up. That is inevitable.

Hon. Mr. HANSON: If your premise is correct, yes; as you would do more work, your expenses go up.

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: But when you do more work you ought to have more revenue from outside sources.

Mr. SYMINGTON: We are getting more revenue every year from outside sources.

Hon. Mr. HANSON: I agree.

Mr. SYMINGTON: But the air mail revenue for the work done keeps continually going down. We will come to that in the report, and you will see what it means.

Hon. Mr. HANSON: The mail revenue, or at least a portion of it is in effect a subsidy.

Mr. SYMINGTON: We do not think it is a subsidy, if they get value.

Hon. Mr. HANSON: You do not like to call it a subsidy, but that is what it is because it is very much larger than what perhaps a competitive company would carry the mail for.

Mr. SYMINGTON: Not at all.

Hon. Mr. HANSON: Say, in the United States?

Mr. SYMINGTON: No, not at all.

Hon. Mr. HANSON: It is certainly larger than what they charge in the United States.

Mr. SYMINGTON: It is larger than what they charge in the United States on the transcontinental lines, I agree; but it is less than what they charge on the short lines in the United States.

Hon. Mr. HANSON: That may be so.

Mr. SYMINGTON: Of course, over all, it is more than they charge in the United States; but then you have a population of 130,000,000 as against 11,000,000, and the same breadth of country. That is inevitable.

Hon. Mr. HANSON: I suppose they have commensurate coverage in the United States relative to population?

Mr. SYMINGTON: No. I would think not.

Hon. Mr. HANSON: They have ten times the air lines that we have.

Mr. SYMINGTON: If you look at the United States' reports, you will find that in those years they got very high mail revenues and tremendous surpluses with which to work.

Mr. DONNELLY: If you look at page 13 of the report, you will find we carried 1,389,614 pounds of mail and got \$3,058,120.95. In the next year we carried 2,308,812 pounds of mail and got \$3,211,921.74. We got very much less money. If we had charged the same rate, we would have got more.

Hon. Mr. HANSON: Nobody would suggest that we should charge that high rate.

Mr. DONNELLY: Then our ratio would be lower.

Hon. Mr. HANSON: If you had got more money, your ratio would be lower, yes. But the point is that the cost of carrying the mail is still too high.

Mr. DONNELLY: That may be so.

Mr. JACKMAN: You have just made a suggestion that in the United States, with a larger country to serve and a greater volume of business probably, the cost should be lower because of the greater volume. Yet during the last year the T.C.A. increased their revenues 26 per cent and your ratio—that is, the relation of the cost of doing business to the gross—went down scarcely at all, which would indicate that the more business the T.C.A. does, the larger it becomes. We cannot expect any greater percentage of profit on the gross. In other words, you have almost a constant return or decreasing return the bigger you grow.

Mr. SYMINGTON: That is the whole theory of the act. We cannot do anything else. I have told this committee I do not like it, but the fact is that we are working for the post office, which is a department of the government. If we make a profit, we immediately reduce our mail rate for the next year. That is the whole theory of this undertaking.

Mr. JACKMAN: But that rate is still above that of competing lines or comparable lines in the United States?

Mr. SYMINGTON: There you are getting into a discussion, but I think your statement is wide. I do not think you can compare them at all. But if you are getting at the efficiency of operations, I can say to you that I think by almost every test I know, namely, the miles flown with the number of 'planes, hours in the air and all that sort of thing, this line is, in my humble judgment, the most efficient operating line on this continent; and I think it is so recognized.

Hon. Mr. HANSON: Let us concede at once that the operations are efficient. The service is good. Make no mistake about that. I am not here being critical about that. The only point I have in mind is as to whether the operating ratio is too high.

Mr. SYMINGTON: I have replied to you that I think it is not.

Hon. Mr. HANSON: All right. I do not know enough about it to carry it any further.

Mr. JACKMAN: Under the scheme of air mail contracts, we cannot expect a larger percentage of gross to go into net, no matter how much it grows in the future. Is that the interpretation you would put upon the outlook for the company?

Mr. SYMINGTON: I would think that, by and large, in principle, is about so. It will improve some. As the ratio of passengers to mail grows each year, you will get some additional revenue; but immediately that reduces your mail rate again. I have many theories about this thing. For instance, I would have thought that we should, as I told you last year, have been allowed to build up a reserve, because I never want to come to the government for any more money. But we cannot do that, of course, if we turn that back to the government through the other indirect channel.

Mr. HANSON (*Skeena*): It means that what the T.C.A. loses the Post Office Department gains.

Mr. SYMINGTON: Quite so; and that is a department of government.

Mr. JACKMAN: Just on the nomenclature of that item, income charges and interest, it is payment on the capital and any interest on money you may have borrowed.

Mr. SYMINGTON: No, it is not payment on capital. That is the exchange that we have had to pay for American purchases.

Mr. JACKMAN: You mean if you buy planes in the United States, the exchange comes with this account. It is a very odd name for it, if that is what it is.

Hon. Mr. HANSON: It should be charged to income, I think.

Mr. SYMINGTON: I am in error as to that item. That is made up of exchange, etc., \$13,270; interest on capital investment, \$200,734.

Mr. JACKMAN: In other words, you charge as operating expenses 5 per cent on the capital stock under the act.

Mr. SYMINGTON: Under the act, as operating expenses there is charged up 5 per cent on the capital stock.

Mr. JACKMAN: I raised the question one other time, I think, that I dislike the word "interest on capital stock" because capital stock never does pay interest. Why not clarify this matter?

Mr. SYMINGTON: It is in the definition in the act.

Mr. JACKMAN: They call it interest?

Mr. SYMINGTON: Yes. It is the only case I know of where interest on the investment is made an operating charge. That is done by the act and definition in the act.

Hon. Mr. HANSON: Why was it done?

Mr. SYMINGTON: It was done, I think, probably because, from the very nature of the company where you have to turn everything you get back to the government anyway, they want to insure the payment of interest on the investment before crediting the government back with the reduced mail rates.

Hon. Mr. HOWE: Of course, the theory of depreciation in Trans-Canada Air Lines is quite different from the theory of depreciation on the railway. The normal well-operated railway does not depreciate, but aeroplanes depreciate very rapidly.

Hon. Mr. HANSON: What is that again?

Mr. JACKMAN: But you set up depreciation in this company on aeroplanes, I think.

Mr. SYMINGTON: May I straighten this out by reading you the definition? The definition in the act reads as follows: "(i) operating expense means the expenditure actually and necessarily made by the corporation to earn gross revenue and shall include an allowance equal to five per centum per annum on the capital invested in the Trans-Canada Lines."

Hon. Mr. HANSON: That is, of course, the position of this item.

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: If it is a statutory provision, we will have to comply with it.

Mr. JACKMAN: Your interest is not in that definition. Personally, I object very much to it, because it is confusing. I would rather you called it "income charges and capital cost", if you have to call it anything.

Mr. SYMINGTON: It is not capital stock. It is interest on the capital investment. I do not know how else you can term it. That is it exactly.

Hon. Mr. HANSON: I think, under the reading of the statute, it is properly in the balance sheet all right. This company pays no income tax?

Mr. SYMINGTON: No. The company pays no income tax.

The CHAIRMAN: Shall we proceed?

Hon. Mr. HANSON: Not so fast.

Mr. NICHOLSON: Mr. Symington made one suggestion that I think the committee should consider at some time. As I recall it, the post office is now showing a profit on air mail service. I think Mr. Symington's suggestion was that the rate paid to the Post Office Department should not be further reduced and that a reserve should be built up for the T.C.A. I think this committee might give some consideration to that. I think his proposal is sound. It might be desirable to change the act, so that we can fix a definite rate that will be paid to the Post Office Department.

Hon. Mr. HANSON: It is dealt with in the next paragraph. It says, "In accordance with the provisions of the Trans-Canada Air Lines Act, 50 per cent of the surplus will be applied in reduction of the mail rate for the fiscal year April 1, 1943, to March 31, 1944, this reduction amounting to 8 per cent of the mail rate."

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: You are bound by statute?

Mr. SYMINGTON: Yes; we are bound by statute.

Mr. DONNELLY: You would have to change the statute.

Mr. SYMINGTON: We discussed that, as members of the committee who were here last year will remember; but I think that the air business is in a pretty fluid state just now, and I do not know that I would press that at the moment.

Hon. Mr. HANSON: I think perhaps that is wise. After all, this company is a pioneer company and had to be assisted from the beginning to establish itself. As a matter of fact, I would say to Mr. Howe and the committee, frankly, that I think the company has made great progress. There is not any doubt about that. But, of course, it is due largely to the war; although I think, in any event, it would have made progress as people became air minded and like to travel by air. I am not hitting this company at all.

Mr. SYMINGTON: I understand.

Hon. Mr. HANSON: I think the company is doing all right.

Mr. SYMINGTON: It may be interesting to you to know—and I was interested, certainly—that we have taken the statements over the years since its beginning, and our earnings and our deficits now balance within \$6,000 of each other.

Hon. Mr. HANSON: That is not bad. That is over how many years?

Mr. SYMINGTON: Five years. This new company—the statement was made there—has now paid all its deficits for the first two years and has balanced accounts and paid the interest on its investment.

Mr. NICHOLSON: Am I right in assuming that the post office department has operated the air mail service at a profit during the last year? I think that statement was made.

Mr. SYMINGTON: Yes, that is a correct statement. I will come to that.

Mr. NICHOLSON: If that is the case, it hardly seems fair for the T.C.A. to give a further reduction of 8 per cent as proposed.

Mr. SYMINGTON: Yes. Of course, there is this compensation that we always have to keep in mind. If times are not so good, and there is a deficit, then of course the post office rate goes up. We always have to keep that in mind. That is the other side of the picture.

Hon. Mr. HANSON: Is that in the statute?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: Or in the contract?

Mr. SYMINGTON: It is in the contract.

Hon. Mr. HANSON: Based on the statute?

Mr. SYMINGTON: It is a contract made in the terms of the statute.

Hon. Mr. HANSON: Yes; based on the statute.

Mr. SYMINGTON: It is fixed, "If in the preceding year the corporation incurred a deficit, the rate or rates for the current year shall be fixed so as to produce an increase in the sum total to be paid on account of the said rates equal to the deficit for the preceding year." That is, if we suffer a deficit, then the mail rates are increased for the succeeding year.

Hon. Mr. HANSON: In other words, the company can always fall back on the Post Office Department to take care of it.

Mr. SYMINGTON: Exactly; to take care of this deficit.

Mr. NICHOLSON: You would prefer to leave the arrangements as they are in the meantime?

Mr. SYMINGTON: I think so.

Hon. Mr. HANSON: You cannot lose very much and you cannot gain very much by carrying more?

Mr. SYMINGTON: That is it exactly.

Mr. DONNELLY: What do you mean when you say the Post Office Department is making a profit?

Mr. SYMINGTON: I will put it to you shortly in these terms. In rough figures the post office got from the public for the air mail we carried last year approximately \$6,000,000. It is \$6,000,000 and something. They paid us \$3,000,000. Therefore they got \$3,000,000 more. But it costs them something to do business, apart from our part of the operation; and in these calculations they deduct 2 cents of the 6 cents, or \$1 of the \$3 to contribute to their general overhead costs of the post office.

Hon. Mr. HANSON: They have to service it.

Mr. SYMINGTON: Exactly. You take off the \$3,000,000. It is still according to the principle that was laid down in this committee last year. They have, after taking off the 2 cents to meet their general overhead, and after taking off what they paid us, about \$1,300,000. There may be a difference of some few figures between the post office and ours, but generally speaking that is about the position.

Hon. Mr. HANSON: In other words, they have a billion to the good?

Mr. SYMINGTON: Yes, and we contribute \$2,000,000 and something to their general overhead expenses.

Hon. Mr. HANSON: You have to keep in mind, too, that if there was not an airmail service the post office would be making bigger profits because it would be going by the ordinary routes?

Mr. SYMINGTON: I do not think so—possibly, Mr. Hanson—but you see the airmail rates are 3 cents higher.

Hon. Mr. HANSON: I know, but perhaps we are not talking about the same thing. If there were no airmail at all with the increase in business the Post Office Department would naturally have an increase in returns. Part of it is diverted in this way. I am not complaining. I agree.

Mr. SYMINGTON: Yes, that is right.

Mr. HANSON (*Skeena*): Let us proceed.

Hon. Mr. HANSON: The telegraph companies would get more business.

Mr. DONNELLY: No doubt about that.

Hon. Mr. HANSON: I am not objecting to the setup, but I think that the mail subvention should come down as rapidly as circumstances will permit.

Mr. SYMINGTON: And as profits will permit.

Hon. Mr. HANSON: What is that?

Mr. SYMINGTON: As profits will permit.

Hon. Mr. HANSON: Surely, based on profits.

Mr. HANSON (*Skeena*): Let us proceed, Mr. Chairman.

Mr. SYMINGTON: And, of course, Mr. Hanson you know that now the mail rate has come down from 60 cents to 42 cents, do you not?

Hon. Mr. HANSON: Yes, it has been reduced. I understand that.

The CHAIRMAN: Let us proceed, please.

Hon. Mr. HANSON: Before proceeding I would like to tell you this, that you will proceed much further without trying to urge the committee to go on. Let us have a frank discussion. Let us not be hurried.

Mr. SYMINGTON:

Operating revenues totalled \$7,337,319, an increase of \$1,529,525 or 26 per cent over the preceding year, indicating the continued growth in the earning power of the company. Passenger revenues increased \$717,024; mail revenues increased \$153,801; express revenues increased \$94,209; other revenues increased \$564,490. The average mail rate for the year was 45.57 cents per mile as compared with the average rate for the previous year of 48.16 cents per mile. Mail revenue contributed 44 per cent of the total revenue as compared with 53 per cent in 1941, 62 per cent in 1940 and 70 per cent in 1939.

Hon. Mr. HANSON: Operating revenues increased 26 per cent over last year and operating expenses were approximately the same, the same increase. Have you got that figured out?

Mr. SYMINGTON: I can tell you how that is, Mr. Hanson, cost of living bonus, \$247,208, as opposed to \$78,000 last year. In addition to that our war services go into operating expenses. They also go into operating revenues, of course, but they are supposed to be done without profit, and they have grown very very much. You can see that other revenues there of \$564,000 show the size of those operations.

Hon. Mr. HANSON: Just for my information, what are those war services?

Mr. SYMINGTON: Well, I can give you a list of them.

Hon. Mr. HANSON: What do they do?

Hon. Mr. HOWE: Special war activities, on page 7.

Mr. SYMINGTON: Department of Munitions and Supply, we overhauled aircraft, 8; we overhauled engines, 28; we overhauled instruments, 6,671; we overhauled accessories, 1,892; propellers overhauled, 515.

Hon. Mr. HANSON: It is work of that type.

Mr. SYMINGTON: Work of that type; now they have built another big plant which we are undertaking for them, and that is the basis of it.

Hon. Mr. HANSON: And it is supposed to be without cost?

Mr. SYMINGTON: Supposed to be without cost.

Hon. Mr. HANSON: That is a very good service. Now, the mail rate has come down a little bit. How does that compare with the trans-continental American mail rate per mile in the United States?

Mr. SYMINGTON: I tried to study that subject, Mr. Hanson, and I could not come to any real conclusion on it because of the mix-up between short and long hauls handled by the same company. What I found was this: insofar as I was able to study it on the short lines, such as the Northeastern, which runs from Boston here, and the central companies in the United States, they were all given an increase reactive to last October, and their rates were up to about 49 cents as opposed to our 42 cents. On the other hand, on the transcontinental routes it was difficult to get the rates, but I should say they were relatively around 30 cents or 32 cents but there is this difference. Under their rates, it is based upon 300 pounds of mail, and over that they get increased payment for it. Here we have got to reserve 1,200 pounds of mail for the post office. They have first call on 1,200 pounds of mail, and they pay a flat mileage rate for it. We get nothing more whether we carry 1 pound or 1,200 pounds. That is the difference in the system.

Hon. Mr. HANSON: The two cases are not quite comparable.

Mr. SYMINGTON: They are not quite comparable.

Mr. DONNELLY: What do the public pay for their mail charges in the United States? Is it 6 cents, 6 and 7 now?

Mr. SYMINGTON: Yes 6—not 7—they have not done that. That is a tax really, but their airmail rates up to this last budget, which put on the 1 cent tax are the same as ours.

Hon. Mr. HANSON: Are we going to pay that extra cent, too?

Mr. SYMINGTON: The budget says so.

Mr. JACKMAN: May I interpose a question here? I do not know where else it would come in. What would be the effect on the airmail if you raised the rate to 10 cents, or the government did?

Mr. SYMINGTON: I could not tell you that.

Mr. JACKMAN: What is your shrewd business opinion, Mr. Symington?

Mr. SYMINGTON: I have stopped guessing long ago about the air. Public reaction is a thing you deal in more than I do. I really could not say.

Mr. JACKMAN: I should think with the type of mail that is carried that it makes no difference whether you charge 7 cents or 10 cents. Is that not your conception?

Mr. SYMINGTON: If you ask my opinion about the air business I would say to you in my judgment all first class mail will be carried by air in the not too very far distant future.

Hon. Mr. HANSON: I should not be surprised except in the shorter hauls?

Mr. SYMINGTON: Yes, unless these helicopters may pick up mail bags by dropping down or you may pick up mail bags flying by. There have been tremendous strides, but I would go off the deep end far enough to say that in my opinion before many years all the first-class mail will be carried by air.

Mr. JACKMAN: Will you give an opinion on this question? Do you say that the airmail would appreciably fall off in volume if the rate was raised from 6 cents or 7 cents to 10 cents?

Mr. SYMINGTON: Oh, as far as that goes I think there would be some falling off.

Mr. JACKMAN: About 5 per cent?

Mr. SYMINGTON: I could not tell you that. Mr. Herring of the post office is here, but I could not guess on that because I do not deal with that.

Hon. Mr. HANSON: Perhaps Mr. Herring could tell us.

Mr. HERRING: Of course, the ordinary mail rate has been increased from 3 to 4 cents, so there is a 3 cent spread; but I do not think we need to anticipate any particular reduction in the volume of air mail. I have discussed it with different people, and I was rather struck with the argument, that with regard to the big mailers, who are the big business people, it is a matter of no importance to them whether they pay 6, 7, 8 or 9 cents because it reduces their excess profits.

Hon. Mr. HANSON: Possibly the Minister of Finance would have something to say about that. It is a matter of opinion after all. I would think that a man would pay 10 cents as quickly as he would pay 7 cents for airmail. It is speed he wants.

Mr. DONNELLY: With regard to the mail that you pay 7 cents for, is the majority of it just ordinary letters or is there something more than that?

Mr. HERRING: All airmail will be 7 cents.

Mr. DONNELLY: That is the ordinary letter, but when you get a larger parcel what do you pay?

Mr. HERRING: You still pay 7 cents an ounce.

Mr. DONNELLY: Do you get many of 2 ounces, 3 ounces, 4 ounces, and parcels, in fact?

Mr. HERRING: Yes, we get quite a few of them, but 98 per cent of them are letters which average about 50 to the pound.

Mr. JACKMAN: I would like to ask Mr. Herring this question. Have you been able to make any kind of analysis as to who uses airmail? Is it mostly business houses, or does a substantial portion appear to come from individuals who would not be subject to corporation taxes?

Mr. HERRING: A very considerable proportion is social mail. It is rather astonishing, but the records show that over 50 per cent of it is social mail, I would say, such as from one woman to another.

Mr. SYMINGTON: People who are tardy letter writers and decide that they will send it by airmail so as to get there more quickly the letter they should have written a few days ago, even of a social character.

Hon. Mr. HANSON: He says it is the ladies. Our experience deals with the domestic telephone. I am interested in the telephone business and we find that the long talkers are the women. Did you say that 10 cents would bring in a lot more money?

Mr. HERRING: No.

Mr. JACKMAN: I would like you to clarify that.

Mr. HERRING: I said that it would be immaterial to a business man whether he paid it to the post office department or as excess profits.

Mr. JACKMAN: That consideration affects business mail but over half of the airmail apparently arises from private sources, social mail, etc., where the users of it would not have any saving in taxes whatsoever, so there would be a real addition to the revenue there in the increase in the airmail rate, particularly if it was made 10 cents. While you have not expressed yourself I rather take it that on

these social letters, which are somewhat belated and are rushed off at the last moment, they would still be willing to pay 10 cents rather than 7 cents?

Mr. HERRING: I do not agree with that. I think that we would lose most of our social mail. That is my own personal opinion.

Mr. JACKMAN: May I ask what you base that on?

Mr. HERRING: Just that there is a big difference between 6 cents and 10 cents.

Mr. JACKMAN: It is 7 cents and 10 cents, and furthermore the differential between 6 and 3 is much greater than the differential between 7 and 4, so if you pay 4 cents you might as well pay a few cents extra; you might as well pay 6 cents extra if there is any urgency at all about the message. I do not quite understand why you think there would be a great falling off if the rate was made 10 cents. It makes no difference to a business man, and from the social end of it I should think that 3 cents additional might make a little difference in that it would show how much more apologetic the person is for not having answered sooner if they pay 10 cents.

Mr. HERRING: I use airmail a lot myself socially, and there is no particular urgency about my correspondence, and I am quite satisfied if the rate went up to 10 cents I would do otherwise.

Hon. Mr. HANSON: You are giving that as your own reaction?

Mr. HANSON (*Skeena*): Is there any intention to raise the rate to 10 cents? I have not heard it. Are we discussing that?

Mr. SYMINGTON: We cannot raise it.

Hon. Mr. HANSON: Mr. Symington, I asked at the opening of this paragraph that you give me the increase in operating expenditures in percentage, if you have it.

Mr. SYMINGTON: The next paragraph sets that out.

Operating expenses totalled \$6,628,399, an increase of \$1,322,263 or 25 per cent over the preceding year, reflecting the enlarged scale of the company's services and the payment during the full year of the cost of living bonus. There in included a charge of \$100,000 to cover estimated liability in connection with the employees' pension plan, this charge relating to the year and also the prior period.

Hon. Mr. HANSON: What does the cost of living bonus cost you?

Mr. SYMINGTON: \$247,000 as opposed to \$78,000 the year before.

Hon. Mr. HANSON: They are setting up a pensions plan. Is that contributory?

Mr. SYMINGTON: That is a contributory pensions plan. We have started it, and we think we are doing a good thing. We are a young company to do it, but as you know, if you start it early you have not got to find several millions of dollars later on to do it after rights have accrued. So we did it at the earliest possible time and we had to add to this year's expenses \$100,000 estimated as being our contribution with the retroactive feature because these men have the right to come in from the time they have been with the company. It is a contributory pension plan, actuarially correct, gone into with great care, and we are proud of having brought it in.

Hon. Mr. HANSON: I congratulate you.

Mr. JACKMAN: Who looks after the investment?

Mr. SYMINGTON: There is a committee of seven under the plan. I have a printed copy of the plan which I will file with the committee if they would like it. It answers all the questions. On page 3 of this little booklet it says: "The pension plan shall be administered by a committee of five members con-

sisting of the vice-president in charge of operations of the Trans-Canada Air Lines, who shall be chairman, two other officers of the company to be appointed by the board of directors and two elected by the eligible employees from amongst their number. Such elected members shall hold office for a term of one year or until his successor is elected."

Mr. JACKMAN: That is functioning now?

Mr. SYMINGTON: It started on March 1.

Hon. Mr. HANSON: Will that be under Mr. Larson?

Mr. SYMINGTON: Mr. English is going to be the chairman of this board. I want to correct this, with regard to this printed page; it was changed at the final meeting of the board because we thought Mr. Larson had enough to do and we put in, "or his assistant", and Mr. English will be the chairman.

Hon. Mr. HANSON: There are two from the company and two from the employees?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: Who are they?

Mr. SYMINGTON: Mr. Baldwin, the auditor for the company and Mr. Bain, the superintendent of maintenance.

The CHAIRMAN: And the two representatives—are they named yet?

Mr. SYMINGTON: Mr. Armstrong and Mr. Pink.

Hon. Mr. HANSON: Now, then, is there a trust fund?

Mr. SYMINGTON: A separate fund, separately invested.

Hon. Mr. HANSON: Are the funds invested or are they on paper?

Mr. SYMINGTON: No, they are set aside and invested—a complete separate fund.

Hon. Mr. HANSON: A trustee system?

Mr. SYMINGTON: Yes, Dominion of Canada's only.

Mr. JACKMAN: Guaranteed?

Mr. SYMINGTON: Yes.

Mr. JACKMAN: They have some fund here that they have municipals in.

Mr. SYMINGTON: This is purely dominion government and guaranteed.

Mr. JACKMAN: Does the plan give any benefits which would not accrue under the dominion government annuity scheme where the rate is higher than you get for the employees?

Mr. SYMINGTON: The plan is based on the purchase of an annuity at the time a man retires—a dominion government annuity—from the contributions of himself and the company.

Hon. Mr. HANSON: In the case of an employee being killed by accident what provision is made for his dependents under this plan?

Mr. SYMINGTON: There is no provision made for his dependents in so far as the pension fund is concerned. Of course, his estate gets what was put in plus interest. Casualty insurance is carried.

Hon. Mr. HANSON: For the benefit of the employee, or his dependents? Was consideration given? I think this is important. This is a very hazardous occupation. I think it is generally recognized.

Mr. SYMINGTON: I would not agree with that.

Hon. Mr. HANSON: Now, under our government superannuation a civil servant's widow gets a portion of his pension. Has consideration been given to the same principle in a matter of this kind?

Mr. SYMINGTON: It was thought out carefully. In the first place we do not think that this is a perilous service. True, if anything happens it is pretty fatal,

but the percentage actually—the figures show that it is the safest way to travel—even safer than walking on the street. Of course, mind you, we are not a company that has reserves; this has got to be kept within reason. This pension plan was secured for the old aged employees. It is based upon a mutual contribution. If a man dies in the meantime his money comes back with interest, of course. At the time of his retirement he has purchased an annuity or he can elect, I think, with respect to an annuity for himself and family. Of course, that necessarily reduces or increases the amount of the annuity, but it is his to do what he wants with.

Hon. Mr. HANSON: Of course, this company and its personnel are young. It will be some time before this really becomes a big charge on the fund, and in the course of years you should have quite a substantial fund built up in order to provide for something for dependents. You would have to have a higher rate.

Mr. SYMINGTON: Yes, very much so. In all the provinces we contribute to workmen's compensation and we also have group insurance.

Hon. Mr. HANSON: That is important too—group insurance?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: For every employee while he is still employed?

Mr. SYMINGTON: We are trying—

Hon. Mr. HANSON: The only thing you have omitted is with regard to the suggestion I have made.

Mr. SYMINGTON: Yes, the pilots made representations to us and we considered that carefully.

Hon. Mr. HANSON: I hope you will continue to consider it carefully.

Mr. JACKMAN: Was this plan approved by the Minister of National Revenue for the purpose of getting income tax deduction for anything contributed by the employees?

Mr. SYMINGTON: Yes.

At December 31, 1942, Trans-Canada Air Lines was providing service—air mail, passenger and express—over routes totalling 4,857 miles between the Atlantic and the Pacific seaboards. This was an increase in route mileage of 833 miles as compared with December 31, 1941. The routes now operated are as follows:—

	Miles
Halifax—Vancouver (via Toronto).....	3,255
Toronto—Windsor	206
Lethbridge—Edmonton	301
Toronto—New York.....	365
Moncton—St. John's, Nfld.....	730
	<hr/> 4,857

Mr. JACKMAN: The 833 miles were new routes?

Mr. SYMINGTON: It is on the next page.

Mr. JACKMAN: Have you had any contributions from the Newfoundland government?

Mr. SYMINGTON: No. Well, I think not; it is a treaty matter; but we certainly get none. Perhaps, I should make that reservation that Trans-Canada gets none.

Mr. JACKMAN: There is no government subvention from them?

Mr. SYMINGTON: Not to Trans-Canada.

Mr. JACKMAN: The service has worked out very well, has it not?

Mr. SYMINGTON: It is our best paying service actually; it is crowded.

Mr. JACKMAN: That is due to the war.

Mr. SYMINGTON: Undoubtedly.

Mr. JACKMAN: And the United States government.

Mr. SYMINGTON: The United States government do not pay us anything.

Mr. JACKMAN: They pay their fares.

Mr. SYMINGTON: Oh, yes, they pay their fares.

Mr. JACKMAN: But no subventions.

Mr. SYMINGTON: No.

The scheduled miles for T.C.A. aircraft were 22,670 per day, an increase of 3,906 miles as compared with December 31, 1941. The miles flown during 1942 amounted to 7,688,902 as compared with 7,274,815 in 1941, an increase of 414,087.

Under treaty arrangements between the government of Canada and the Newfoundland commission of government, service between Moncton, N.B., Sydney, N.S., and St. John's, Newfoundland, was inaugurated by Trans-Canada Air Lines on May 1, 1942, on the basis of one round trip per day. From the inception, the service operated virtually to capacity, and on November 1, 1942, a second daily trip was added to meet traffic requirements. The Newfoundland-Canada service is an important one, providing much faster transportation for essential business.

Mr. JACKMAN: What are the other increases?

Mr. SYMINGTON: To meet the growth in business to and from the maritime provinces, service between Montreal, Moncton and Halifax was increased from two to three round trips per day on November 1.

Mr. JACKMAN: That would account for the increase.

Mr. SYMINGTON: Yes.

Mr. JACKMAN: Is not that a duplication and an extension—more service on the same route, rather than a new route—it did not go to Halifax?

Mr. SYMINGTON: Airport facilities having become available, the company plans, in conjunction with the post office authorities, to extend its line to Vancouver island as soon as the necessary permit issues from the Board of Transport Commissioners. This will give Victoria and other island communities direct air mail service to the central and eastern provinces. Passengers and express will also be carried.

Hon. Mr. HANSON: Of course, there is an existing route there now. Are you going into competition with that route or are you eliminating it?

Mr. SYMINGTON: I do not know. Originally we had that route, but it was turned over to Canadian Airways under some temporary arrangement. Subsequently, upon Canadian Airways selling out, a successor company had a service to Vancouver island—a boat service. The post office authorities and the Transport department sent for me and said they wanted our line extended to Victoria, and arrangements were made with the R.C.A.F. to use their Patricia bay field. It is a land field, not a water landing. They passed an order in council and put us under the Act so we had to furnish a service, which we are very glad to do. Now, what will be the result with respect to those boats that are flying over there I do not know, but the people were complaining very much about the service. They had to go across either by steamboat or one of the air boats and stay all night in Vancouver in order to take our plane out of there. There was no connection. And they protested and that is how the situation arose. I do not know what is going to happen in the future.

Hon. Mr. HANSON: One line operating under a licence; is it proposed to revoke the licence?

Mr. SYMINGTON: I don't know.

Mr. HANSON (Skeena): Has any consideration been given to extending the air service on the Pacific coast from Vancouver island to Alaska taking in Ocean Falls, Powell river, Prince Rupert and those places?

Mr. SYMINGTON: Not so far as I know at the moment. You cannot really give consideration to any extensions these days because you just cannot get the materials or the personnel to use them. This extension does not amount to anything because the plane running to Vancouver goes to Victoria and comes back and it is only a matter of a few minutes' operation, but it does join up the capital of one province with the dominion. That is how that matter arose.

Hon. Mr. HANSON: My capital is the only one that has no connection with anyone. That is a fact; you might bear that in mind.

Mr. SYMINGTON: I am bearing it in mind.

Hon. Mr. HANSON: The present air line pioneered this route for a good many years with no profit in it.

Mr. SYMINGTON: I do not know—I do not know anything about that. What I do know is that we originally contemplated the island. We first made an arrangement whereby we sublet to the Canadian Airways and the contract with the Post Office Department was made direct later on with the Canadian Airways.

Hon. Mr. HANSON: When you say you sub-let it, you did not enter the field, you allowed them to enter the field. Were they paying you anything?

Mr. SYMINGTON: No. If my recollection serves me right we were supposed to carry the mail to Vancouver island and we did not have the service and we sub-let to the Canadian Airways. There was no airport available, for land planes. Patricia bay was built as a military airport and is the only land port available.

Hon. Mr. HANSON: And the position is still in a state of flux, is it not?

Mr. SYMINGTON: I do not know. That is none of my business, really. We were put under the statute and therefore we will furnish the service.

Hon. Mr. HANSON: Are you asking to have exclusive rights?

Mr. SYMINGTON: We have not asked anything, sir.

Hon. Mr. HANSON: You have exclusive rights under the statute, have you not?

Mr. SYMINGTON: No, I do not think so.

Hon. Mr. HANSON: You have on the transcontinental flights?

Mr. SYMINGTON: I do not think under the statute we have; I think it is a matter of policy, probably; I do not think we have under the statute.

Hon. Mr. HANSON: Well, that may be correct. I must confess it is a long time since I read the statute, but the fact is that you have the sphere exclusively to yourselves.

Mr. SYMINGTON: Unquestionably up to the moment that has been the policy of the government. I think it is safe to say that, yes. We certainly have exclusiveness on our own run, there is no doubt about that.

Mr. JACKMAN: Is that the policy of the government or the Board of Transport Commissioners?

Mr. SYMINGTON: No, I do not think so. Of course, the thing governs itself. Once you are put under the T.C.A. Act and the T.C.A. has to comply, then the government in self-defence of course must give the post office contract to that line or else it is going to cost the government double money, so the thing automatically works that way.

Hon. Mr. HANSON: That is the effect.

Mr. SYMINGTON: The effect of it, yes.

Hon. Mr. HANSON: To give you exclusiveness.

Mr. SYMINGTON: Yes, I think that is the effect, and I think that was the intention.

Hon. Mr. HANSON: No doubt it was. This raises the whole question, you see, of private enterprise in the air field and what is going to be the future of private enterprise in flying in this country, and it is an important thing.

Hon. Mr. HOWE: I think it is like the telephone service, it is not susceptible to competition. The air is a natural monopoly. The service is operating much more cheaply that way. If you get competition and if your revenues are not sufficient to maintain your equipment it becomes a danger to the public. The United States has segregated their operations into non-competitive operations, and I think that if anyone studies air transportation they will come to the conclusion that it must be non-competitive.

Hon. Mr. HANSON: Yes, but of course the United States government is not in the air field.

Hon. Mr. HOWE: In the States no, but they recognize that principles in allocating routes to private companies.

Hon. Mr. HANSON: That may be so and it may be very sound, but your comparison with the telephone company is hardly correct for this reason, that the telephone companies are under control—

Hon. Mr. HOWE: So is this one.

Hon. Mr. HANSON: —of a public commission, you are not.

Hon. Mr. HOWE: Oh, yes we are, under the most stringent control.

Hon. Mr. HANSON: Well, in theory.

Hon. Mr. HOWE: We have two controlling factors, the Board of Transport Commissioners fix the rates and allocate the routes, and the Department of Transport Safety Division very strictly regulate the operations themselves, the requirements of operations.

Hon. Mr. HANSON: That is for safety purposes.

Hon. Mr. HOWE: Yes.

Hon. Mr. HANSON: Do you seriously tell me the Board of Transport Commissioners in any way question your rates?

Mr. SYMINGTON: We file them, sir, of course, and in certain competitive irregular situations we have to meet competitive rates. We could never have higher rates, for instance, than the United States transcontinental business or we would not do the business and that holds down our passenger rate and under the Act—of course, I will admit the interpretation of the section is a most difficult one—the air rates must come down so they are no higher than similar service, but that is what the Act itself says.

Mr. JACKMAN: I do not understand that, perhaps because I am not very familiar with the Act itself. You say that if the government says to the T.C.A., "You shall carry the mail from Vancouver to Victoria," or from any other designated points, you are then obliged to do so, and you are supposed to apply to the Board of Transport Commissioners for a licence, but in that way you exterminate all competition. Air mail must carry the costs. Your costs are going to be much less, perhaps, from Vancouver to Victoria than the existing service which is purely a local one there and it is unlike taking over a telephone company, because you do not take over the assets and communications, etc., you simply wipe them out and give no compensation, I take it. If that is the way it operates what is to prevent the government saying to you, "You must extend your air mail route," as it were, "into another service." Is that the way you get your command or order from the government that you must carry the air mail?

Mr. SYMINGTON: Under the Act if the Postmaster General and the Minister of Transport make a recommendation to Council that any route be declared a route under the Trans-Canada Act and the Governor in Council passes it, then automatically by the statute we are called upon to furnish the service.

Hon. Mr. HANSON: That is the lever.

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: A matter of government policy.

Mr. SYMINGTON: Entirely.

Mr. DONNELLY: Do you consider it more profitable to run the main lines of the Trans-Canada lines than it would be to run feeder lines to certain places?

Mr. SYMINGTON: Well, I think as I said last year the feeder lines may well become the most profitable ones; I still think that is probably so.

Hon. Mr. HOWE: It is more expensive to operate the higher standard of equipment that is required for the main lines.

Mr. DONNELLY: I am just asking that question because a statement was made in the House of Commons not long ago that Trans-Canada or the government was carrying on the main air lines because it was the most expensive part of it and were letting the feeder lines, the more profitable ones, go to private companies; that the Trans-Canada Air Lines were running the most expensive ones and the most profitable ones were going to the private companies.

Hon. Mr. HOWE: I do not think that was the reason for the division; the reason the government took the transcontinental was the private interests had not undertaken that operation and it was thought that a system of operation must depend on a first-class transcontinental line. The government went into that field to provide that service.

Hon. Mr. HANSON: That was the basis in their minds.

Hon. Mr. HOWE: Yes. Of course, branch line operations have equipment whose planes usually have a lower standard than those used on the main line. For instance, your main line plane to-day costs \$200,000; I suppose the average branch line plane costs about 20 per cent or 25 per cent of that.

Mr. DONNELLY: Do these branch lines act as feeders for Trans-Canada?

Hon. Mr. HOWE: Yes, and we act as feeders for them; it works both ways.

Hon. Mr. HANSON: Would you say one complemented the other?

Hon. Mr. HOWE: Yes.

Hon. Mr. HANSON: There is no reason why you should not get along in that way provided they give standard service.

Hon. Mr. HOWE: Yes. Trans-Canada timetable schedules list the side operations with which they connect and therefore we can route over Trans-Canada that business.

Hon. Mr. HANSON: Do you intend to extend your field to the branch line service?

Hon. Mr. HOWE: No.

Mr. JACKMAN: That is where some of the difficulty comes in, what is branch line and what is main line. Formerly your principle was the line between Vancouver and Victoria was a branch line. Now by order in council it becomes part of the main line and the T.C.A. takes it over and ousts any pioneers operating there and who were perhaps operating at a loss for ten years; and apparently they are given no compensation unless there is some provision for compensation. You may get some other place declared by the Postmaster General, and the other officers, a branch line. They may state that they want the T.C.A. to carry the mail some place else and ipso facto the T.C.A. looks after it and the existing

line who only gets a mail subvention passes out of existence. Is that the state of affairs that private enterprise in this country or pioneers are going to be up against?

Hon. Mr. HOWE: It does not necessarily pass out of existence; it is a very mobile thing. Private line operation can move to another route.

Mr. JACKMAN: It has been said in the past that a line could not operate without a mail contract.

Hon. Mr. HOWE: That is true, yes. I mean to say the service is a mobile thing, the fixed investment is not great and it can move to another route and usually does.

Mr. JACKMAN: That is quite impossible, I should think.

Mr. SYMINGTON: You talk about main lines—I don't put Victoria Island as one in the category of a hardship to anyone at all. I would say roughly that you certainly will always retain your main line routes in Canada. That would be my opinion.

Mr. JACKMAN: That seems quite sensible.

Mr. DONNELLY: I think you are right.

Hon. Mr. HANSON: If you start putting a competitor out of business you want to have some thought for him.

Mr. SYMINGTON: Is it unkind when, as suggested, he has been losing money for the last ten or fifteen years by maintaining his operations?

Hon. Mr. HANSON: I quite understand your implications, but I have seen people remain in business in the hope that better days would come; and in my opinion, a man who has faith and puts up his money—just because he happens to be running behind is no reason why he should be wiped out.

Hon. Mr. HOWE: Perhaps I could give you an interesting figure which has just been handed to me. The average passenger fare for Trans-Canada is 5·32 cents per mile whereas the average cost for passenger travel on other services—that is other scheduled run services—is 19·29 cents per mile.

Mr. DONNELLY: That is, travelling in the air?

Hon. Mr. HOWE: Yes.

Hon. Mr. HANSON: I should think it might very well run higher than that. You take that service we have from Moncton to Charlottetown, it runs very much higher than that, I should think.

Mr. JACKMAN: I take it that you are not impugning the management of the present private companies?

Hon. Mr. HOWE: No, quite the reverse.

Mr. JACKMAN: If the situation is the reverse, then why are you closing them out?

Hon. Mr. HOWE: We invited them to come into the T.C.A., and they did not come.

Mr. SYMINGTON: You can see from figures like that why the public throughout the country are continually making demands on Trans-Canada Air Lines to come into their cities. There are two important factors involved there; the first you have to recognize is the character of the service, and next is its cheapness.

Hon. Mr. HANSON: And they have better planes.

Mr. SYMINGTON: Yes. They are two entirely different types of service. It is easy to appreciate why there is a continuous demand from people throughout Canada to have Trans-Canada Air Lines come to their communities. There is no doubt about that.

Mr. JACKMAN: That is why we think the policy should be well defined there, so we shall know exactly what is going to happen, and so that people who have put their money into private lines may know what is going to happen.

Mr. SYMINGTON: I have no views on that. That is a government matter. Of course, a great deal is heard of the argument that all these lines took the initiative and pioneered the routes; but the only source of revenue for any of them is the mails. That is the fact.

Hon. Mr. HANSON: Take an extreme case; I have travelled on the Yukon-Southern. They have a pretty good service—they fly Boeings, ten-passenger planes—and they have spent a lot of their money in there. Now, I have heard rumours—I think the hon. Mr. Howe has already given a statement to the newspapers making the declaration that sooner or later Trans-Canada was going to take over that route.

Mr. SYMINGTON: I do not think he said that; the route to Alaska, yes.

Hon. Mr. HANSON: Yes, I meant that, the route to Alaska; that would mean the route to the north country.

Hon. Mr. HOWE: And another factor to be considered there is that the Yukon-Southern is a private company, and as such it cannot handle the business.

Hon. Mr. HANSON: Yes, the Yukon-Southern cannot handle that business to-day. But, suppose they could not; the C.P.R. bought them out, they can handle that business—do you know whether that is so or not, has the C.P.R. bought up the Yukon-Southern?

Hon. Mr. HOWE: I understand that they have purchased the Yukon-Southern.

Hon. Mr. HANSON: I thought they had; I thought I saw it the other day.

Hon. Mr. HOWE: You are right. I am told that they have.

Hon. Mr. HANSON: What about charges for airports?

Mr. DONNELLY: What charges do you make?

Mr. SYMINGTON: That is fixed by the Department of Transport, or by the municipalities who have their airports.

Hon. Mr. HOWE: The charges are the same as those made to the T.C.A.

Mr. SYMINGTON: You have to take into consideration the international services. I mean many of these routes—you talk about the Windsor route, for instance; one might say that is not a main line service. It is a service of the character of a main line service; through a thickly populated part of the country; and it is headed to Detroit and Chicago—it is a point of exit. And, as I understand the policy, T.C.A. is to run the international services. That is my understanding of it. If it is changed that is another matter.

Mr. JACKMAN: Why didn't the government go into the service between Vancouver and Victoria? I understand the first line they had out there was between Seattle and Vancouver. You leave the field open and some person opens the service to that part of the country and then you come along and say that it is being taken over by the T.C.A.; you decide to extend your run, which calls for little or nothing to do; and you obviously put the little company out of business. That, it seems to me is a matter for concern. The area wanted the service in the first place and it was supplied by private lines; and after it is established the T.C.A. comes along and takes it over.

Mr. SYMINGTON: I do not think you are quite right in that.

Mr. JACKMAN: I think that is hardly equitable.

Mr. SYMINGTON: I think I explained that before; we could not fly to the island because there was no air base; therefore we sublet to Canadian Airways.

Hon. Mr. HANSON: In the first instance it was developed by a private company.

Mr. SYMINGTON: In the first instance, no—it was pretty generally understood from the outset that Vancouver island was going to be connected up with the mainland by Trans-Canada Air Lines, but until such time as airport facilities became available the route was sublet to Canadian Airways. They went into it with their eyes open and knew what to expect.

Hon. Mr. HANSON: They knew what was likely to happen. There can be no doubt about that. That is not an unreasonable position. I would not quarrel with you about that, and I am glad to have that clarification; that any existing services which are not on the main line, for the present at least are not to be disturbed. We have that to-day.

Mr. JACKMAN: One of the reasons that this question becomes of some importance is that some of these private lines have been receiving applications from our boys in the air force, even as far away as Africa, asking for positions in the post-war period. Naturally, they must know what the policy of the government is going to be. Is the T.C.A. going to extend itself so as to have a complete monopoly of all the worthwhile lines in Canada? It simply amounts to this, that as soon as a private line becomes profitable it is going to be taken over by the T.C.A. The question is, are all these private lines going to become a part of the T.C.A., or are they going to be permitted to continue and develop as private enterprises. It seems to me that the post-war aspect for them is one deserving of consideration.

Mr. SYMINGTON: That is an argument, as I said to you before, which does not appeal to me as being very sound. We get a lot of applications of that kind, and it is perfectly impossible—it would be absolutely silly of us to agree to hire men after the war; to tell them that they will have a job to come to when they get back. We don't know what the air lines are going to be; nor, do we know how many of these fliers will be coming back, or if a particular man who makes an application will survive. About all that can be done is to do what we have done—to say that our policy is going to be to hire all the returned fliers we can when they come back. I do not see how any air line can possibly say any more than that.

Hon. Mr. HANSON: I do not think you could go any further than that.

Mr. SYMINGTON: I do not see how one could.

Mr. HANSON (*Skeena*): No, it is a matter of government policy. We do not know what the policy of the government will be after the war; nor do we know what government will be in office then.

Mr. SYMINGTON: The company plans for a shorter route across the continent, crossing the Great Lakes to Winnipeg and thence to points of exit in western Canada and the Yukon territory.

Hon. Mr. HANSON: That brings up the Yukon; you are definitely going into that territory?

Mr. SYMINGTON: Definitely going into it, as I understand it, to Whitehorse and Alaska. As you know, it is an international route. Whether there will be a local route along it or not, I do not know.

Extension of the company's service to the Yukon territory and Alaska has been deferred, Alaska having been declared a military zone by the United States government and all civil flying operations prohibited there.

Hon. Mr. HANSON: That of course would not apply to the service to Whitehorse and Yukon?

Mr. SYMINGTON: No, that is in all Canadian territory.

Mr. Sissons: You have said, "Alaska having been declared a military zone by the United States government and all civil flying operations prohibited there"; that would not apply to the extension of your line from Edmonton to Whitehorse?

Mr. SYMINGTON: Oh, no, quite so.

An understanding has been reached between the governments of Canada and the United States to maintain the existing agreement respecting international air services until after the close of the war, but either contracting party may re-open the negotiations following six months' notice.

Hon. Mr. HANSON: What is the existing agreement with respect to international air services?

Mr. SYMINGTON: It is a rather long story, but the situation roughly is this. Whatever lines were existing at the time were frozen completely. If military operations require flying and landing in Canada and anything else in Canada on the way to any other place, they have the right to do it, during the war, as a military operation, the same way as R.C.A.F. has the same right over American territory.

Hon. Mr. HANSON: That is purely for military purposes?

Mr. SYMINGTON: Yes, that is purely for military purposes; and it distinctly states that no commercial business can be done and it ends with the war on six months' notice.

Hon. Mr. HANSON: That is all this means.

Mr. SYMINGTON: That is all it means.

Hon. Mr. HOWE: There is an agreement beyond that which has been filed in the House of Commons. There is an agreement between the United States and Canada affecting each route that is operated between the two countries—that is from government to government.

Hon. Mr. HANSON: That would be for civilian flying?

Hon. Mr. HOWE: That agreement expired, I think, this spring; it is a three-year agreement and it has been extended by mutual agreement, until the end of the war.

Hon. Mr. HANSON: What is the effect of that?

Hon. Mr. HOWE: The effect of that is that certain routes are designated to be flown by United States companies and subject to United States law and certain other routes are designated to be flown by Canadian companies, subject to Canadian law.

Mr. SYMINGTON: The position was frozen. I think I stated that.

Hon. Mr. HOWE: The position was frozen.

Hon. Mr. HANSON: How much have they got and how much have we got?

Hon. Mr. HOWE: They have many more routes. We have the route we wanted. We have the route from Toronto to La Guardia field. They have a route to Moncton. They have a route to Montreal. They have a route to Winnipeg, a route to Lethbridge and a route to Vancouver.

Hon. Mr. HANSON: Is there a route from Bangor to Boston?

Hon. Mr. HOWE: Yes.

Hon. Mr. HANSON: Is there provision for servicing Canadians on that route?

Hon. Mr. HOWE: Yes. Canadians have the same right of travel that the Americans have.

Hon. Mr. HANSON: I had the idea that was confined to military operations.

Hon. Mr. HOWE: No.

Mr. SYMINGTON: There are the same "must" rides there as here.

Hon. Mr. HOWE: These services go beyond Moncton—north of Moncton and east of Moncton.

Hon. Mr. HANSON: Yes. They go up into Labrador.

Hon. Mr. HOWE: Yes; military services there.

Mr. JACKMAN: All these American companies have rights to fly into Canada, and certain terminal facilities, and the only facility we have is Toronto to La Guardia field.

Hon. Mr. HOWE: That is right.

Mr. JACKMAN: Agreements have been extended until the duration of the war?

Hon. Mr. HOWE: That is right.

Mr. JACKMAN: And most of these cover not only military transportation but ordinary civilian travel?

Hon. Mr. HOWE: That is right.

Mr. JACKMAN: Apart from this Lethbridge privilege that the United States air lines have, is there any route which the Americans have in British Columbia? This one comes to Lethbridge but where does it come from in the United States?

Mr. SYMINGTON: It ends at Lethbridge, yes; it is from Great Falls, Montana, to Lethbridge.

The CHAIRMAN: Gentlemen, do you think that we should consider whether we should sit this afternoon? We should have to obtain unanimous consent of the house in order to do so.

Mr. JACKMAN: The budget resolutions are of great importance. I do not think, speaking for myself, that we can be out of the house very much while they are being discussed.

Mr. HANSON (*Skeena*): Could we not sit this evening?

Hon. Mr. HANSON: The same situation prevails. I think we ought to adjourn until to-morrow. We have made good progress. We have got the preliminary canters over.

The CHAIRMAN: It is a matter for the committee to decide.

Hon. Mr. HANSON: It will be opposed, if there is any attempt to do it.

Mr. McCULLOCH: I think it would be a very good thing to meet this afternoon. These gentlemen are here from Montreal, and officers of the Trans-Canada Air Lines. They are all very busy men.

Mr. JACKMAN: The budget happens to be more important than the officers from Montreal, Mr. Chairman.

Mr. McCULLOCH: Is that so?

Mr. JACKMAN: Oh, quite.

Mr. McCULLOCH: That might be your opinion.

Mr. JACKMAN: Well, I submit it to the committee.

Hon. Mr. HANSON: We have not the right to meet this afternoon anyway, yet. I think you will have to give some consideration to the convenience of members of this committee who have other duties to perform. I cannot be here this afternoon, if the budget resolutions are on.

Mr. DONNELLY: As a matter of fact, unless it is unanimous, Mr. Chairman, we cannot get the consent of the house.

The CHAIRMAN: We would have to have unanimous consent to adopt the report.

Mr. DONNELLY: Yes. We cannot get the adoption of the report without unanimous consent; we cannot get the permission of the house to sit unless it is unanimous.

Hon. Mr. HANSON: Do not try the steam roller.

Mr. DONNELLY: No.

Mr. HANSON (*Skeena*): As Mr. Hanson stated, was not the unanimous recommendation to-day for leave to sit to-morrow or any other day we wish?

Mr. DONNELLY: That is all right.

Mr. HANSON (*Skeena*): Is that not what was suggested?

Hon. Mr. HANSON: We cannot sit this afternoon, as far as I am concerned. I do not see the necessity for all this great flock of officials here, anyway. I have often wondered why we had to have them.

Mr. SYMINGTON: I have only two, and I want them here.

Mr. JACKMAN: When do you expect the Canadian National Railway reports?

Hon. Mr. MICHAUD: We will table them this afternoon; the motion to refer them to this committee will be made this afternoon.

Hon. Mr. HANSON: That is all right, but we ought to have a little time to study them.

Mr. SYMINGTON: It is a pleasant study this year.

The CHAIRMAN: You may as well proceed with this report until one o'clock, then.

Mr. SYMINGTON: Very well.

The Company is giving consideration to, and undertaking research in connection with, plans for oceanic and international flying, but the formulation of detailed programmes must await developments.

Hon. Mr. HANSON: That is very interesting reading. How far have we gone and what have you got in your mind?

Mr. SYMINGTON: We have got a lot in our minds, and we are doing a lot. We are intensively engaged in preparations. I do not know that I can go very much further than that; but I can assure the committee that we are giving it practical attention.

Mr. HANSON (*Skeena*): Is there not some line between Europe and Canada now, or was there not last year?

Mr. SYMINGTON: No. There is a ferry command for the transport of bombers and a transport service for the return of crews and to the latter we contributed three crews to learn ocean flying, and we have those crews all trained. We also commenced yesterday or Friday the flying of a large 'plane to Goose, to meet the requirements of transport there, which 'plane, when through there, will fly to England and back.

Hon. Mr. HANSON: Is that to be a permanent route?

Mr. SYMINGTON: Well, it is a government operation. Really, Mr. Hanson, we are engaged in planning ships, drawing them, both for immediate and for post-war further development.

Hon. Mr. HANSON: What you are telling us is that Trans-Canada is going into the ocean traffic.

Mr. SYMINGTON: Absolutely, as directed.

Hon. Mr. HANSON: As soon as you can?

Mr. SYMINGTON: As soon as we can; and we do not think that we are overlooking any bets.

Hon. Mr. HANSON: Any what?

Mr. SYMINGTON: Any bets in the situation.

Mr. HANSON (*Skeena*): Last fall I remember they could send air mail to continental Europe—Sweden, for instance. I got some mail via England.

Mr. SYMINGTON: There has been none for some time now.

Mr. EMMERSON: That has been operated by another company.

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: Are you proposing, in that connection, to make your ocean transport exclusive as a field, as far as Canada is concerned?

Mr. SYMINGTON: I do not know. That is a matter, I imagine, you will have to put to the government.

Hon. Mr. HANSON: I am asking you and what your principle is. You are the fellow who is doing the thinking.

Mr. SYMINGTON: As far as Trans-Canada is concerned, Trans-Canada is preparing to carry on its oceanic international traffic.

Hon. Mr. HANSON: I will ask you to go a step further. Are you proposing to hold the field to yourself or are you going to let somebody else have a look-in?

Mr. SYMINGTON: I would say that naturally we would prefer to hold it to ourselves; but if the government takes another view, we cannot.

Hon. Mr. HANSON: You do not have to tell me that. Is that your proposal, not your wish?

Mr. SYMINGTON: There is no proposal that I know of, Mr. Hanson. We are simply preparing to fly on the assumption that we are the instrument of the government in international flying and will be required to fly. That is the basis upon which we are proceeding.

Hon. Mr. HANSON: Of course, that is not the thesis upon which other governments heretofore have operated. Imperial Airways was not always owned or controlled by the government.

Mr. SYMINGTON: It is now, of course.

Hon. Mr. HOWE: It was, of course, the chosen instrument of the United Kingdom government for overseas flying.

Hon. Mr. HANSON: That is quite a different thing. They encouraged private enterprise.

Hon. Mr. HOWE: Britain has never encouraged private enterprise other than through its chosen instrument.

Mr. SYMINGTON: What happened in Great Britain was, that Imperial Airways could not stand the gaff and it had to be taken over by the government.

Hon. Mr. HANSON: After the war necessitated it.

Mr. SYMINGTON: No, I think it was before the war. B.O.A.C. was formed before the war I think.

Mr. JACKMAN: Has it come to your attention that Sweden, which is looked upon as a fairly progressive and somewhat socialistic state, has recently formed an air transportation company to do business across the ocean with the United States and also in Europe backed by a number of private interests, and the government-owned aviation company is going to facilitate it by letting it have the use of any airports or research facilities which it has? Have you investigated that?

Mr. SYMINGTON: No. The whole air is completely filled with guesses as to what every nation is going to do. I do not know any subject that is more in the public mind and eye to-day than international flying. In my humble judgment nobody can make up his mind until after the international situation is settled. Therefore each country must prepare to meet the situation as it arises. Trans-Canada is endeavouring to do that.

Mr. JACKMAN: Is there any fear in your mind that the Canadian people will not be well serviced in regard to trans-oceanic air transportation if you do not step into the field?

Mr. SYMINGTON: I do not think it will be as well served.

Hon. Mr. HANSON: What you are telling us, Mr. Symington, is that you are going to go into the field no matter what happens, and you will not go so far as to tell me that you will not let anybody else in?

Mr. SYMINGTON: I would answer that in this way. If the government lets us go into the field we are going into it. Naturally the government has got to put up the money for us to go into that field; and, of course, I do not need to say to you that any competition on the ocean between two companies of one country would be absolutely and completely fatal in my judgment. You will have competition enough with outside companies without having competition among ourselves. That is sure.

Hon. Mr. HANSON: It seems to me I have heard the slogan, "competition ever, amalgamation never". I think it would be true after the war. Let us have a little competition.

Mr. SYMINGTON: Yes; but you see, Mr. Hanson, the cubic carrying content of a plane, its cost, and its cost of operation, will not permit of competition, and if you have it you are done, in my judgment.

Hon. Mr. HANSON: That is a very dogmatic statement.

Mr. SYMINGTON: Well, I believe it and I have looked into it very much.

Hon. Mr. HANSON: If private enterprise is willing to risk its capital you say they should not have the right to do it?

Mr. SYMINGTON: Mr. Hanson, I quite agree with you except for this, that no company can run it without a very liberal mail rate. It cannot be done. Do not make any mistake about it. It just cannot be done. It could not possibly exist without competition if it did not have a liberal mail rate.

Hon. Mr. HANSON: It could not exist at all.

Mr. SYMINGTON: It could not exist at all without a liberal government mail rate.

Mr. JACKMAN: In order to get a permit to fly across the ocean do you apply to the Board of Transport Commissioners here, or what ropes do you go through?

Mr. SYMINGTON: I do not know. We have not made any application yet. I really have not gone into it. The only permit we will ask will be from the British government, I expect, and from the Canadian government. What details they have to go through I have not gone into.

Mr. JACKMAN: Are there any other existing companies that are as far advanced in regard to trans-oceanic transportation as T.C.A.?

Mr. SYMINGTON: In Canada?

Mr. JACKMAN: Yes, Canadian-owned companies?

Mr. SYMINGTON: Oh, I would think not.

Hon. Mr. HANSON: What is the United States proposing to do in this connection? Are they proposing to use Pan-American?

Mr. SYMINGTON: That is a very hot subject down there. I think there is no question about what the administration want to do but whether they will do it or not, I do not know. They are the only country in the world that I know of to-day that has what you call private ownership of the air. As to whether that will continue I do not think my opinion is worth more than anybody else's on it. There is great rivalry between the different private lines. They are stabbing each other in the back. A little line that runs from Boston to Montreal put in application for 27,800 miles of international routes before the Civil Aeronautic Association in the United States the other day, a company that has never made a dividend, with small capital, and it has actually filed for routes to Great Britain, Germany, and so on, and to Moscow and with the Civil Aeronautic Association in the United States for 27,000 miles of international

routes, and they are all doing the same thing. What is going to be the outcome I do not know.

Mr. HANSON (*Skeena*): It is one o'clock, Mr. Chairman.

The CHAIRMAN: It is one o'clock. The committee will rise.

Mr. HANSON (*Skeena*): To meet at the call of the chair?

The committee adjourned at 1 o'clock p.m., to meet at the call of the chair.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

March 30, 1943.

The Standing Committee on Railways and Shipping met this day at 11 o'clock a.m. The Chairman, Mr. J. P. Howden, presided.

The CHAIRMAN: Gentlemen, I presume that without any further delay we will proceed from where we left off with the presentation of the report of Trans-Canada Air Lines for 1942. That was on page 5, passenger services.

Mr. H. J. Symington, recalled:

Mr. SYMINGTON: Mr. Chairman, before starting I want to correct a statement I made in answer to a question by Mr. Hanson, so that there may be no mistakes. In reading over the record I find that I stated with respect to the four directors appointed by the government that they were appointed from the board of directors of the C.N.R. by statute. I change that word "from"; they are appointed "by", instead of "from" the board of directors under the statute. I do not want to mislead the committee or Mr. Hanson on that point.

Hon. Mr. HANSON: That is quite all right, Mr. Symington; I quite understand. Have we finished with this question of air transport?

Mr. SYMINGTON: We were just at the heading, "Passenger Service".

Hon. Mr. HANSON: Yes. We had just got down to that. We have not taken that up. Before we leave that, Mr. Symington, I desire to direct your attention to an article reprinted from the *Financial Times*, by Austin L. Cross, entitled "Has Canada an After-the-War Air Policy". Would you care to tell us anything about the plans with respect to post-war air policy?

Mr. SYMINGTON: Well, I do not think I can say very much more than I said yesterday, Mr. Hanson. So far as the T.C.A. is concerned, the T.C.A. is very assiduously engaged in preparations for ocean transport on the theory that they are going to be in it after the war. We are doing everything possible now; by that I mean, with respect to a study of the aircraft, a study of the routes, designing, constructing, training and so on; to be ready for the situation when it comes. More definite than that I cannot be at the moment.

Hon. Mr. HANSON: That is pretty general, isn't it?

Mr. SYMINGTON: It is general, but it is specific in fact.

Hon. Mr. HANSON: Well, are you proposing to duplicate the work which has already been done?

Mr. SYMINGTON: I beg your pardon?

Hon. Mr. HANSON: Are you proposing to duplicate the work which has already been done, either by the government or by private corporations or companies?

Mr. SYMINGTON: I do not know what work has been done by private corporations. I do know something about what the government is doing. They ask our advice, naturally, on the subject of international air regulations, meteorological services, communications and that sort of thing; and what our ideas are about the size and type of ships and all that sort of thing.

Hon. Mr. HANSON: That is operational. What I would like to get from you or from somebody, flatly, is this: is it the intention of T.C.A. or of the government to have a monopoly of air transportation in Canada?

Mr. SYMINGTON: I am afraid you would have to get that from the government or the minister. I could not give it to you.

Hon. Mr. HANSON: You would not care to express any opinion on it?

Mr. SYMINGTON: No, I could not.

Hon. Mr. HANSON: That would be your advice, though.

Mr. SYMINGTON: No. I think I stated I have not changed the position I took last year. I said that traffic of a main line character and traffic to points of exit should be run by the government; but as to feeder lines, they should be left to private industry. I have not changed my opinion on that.

Hon. Mr. HANSON: There is something in that. Well then, by main lines you mean just what?

Mr. SYMINGTON: Well, the character of a main line is, of course, somewhat indefinite and I think must be because you cannot define it to meet all future conditions. Where the government has had to put in fields, signalling systems, communications and that sort of thing relative to high-class, fast, scheduled transportation—whatever they designate in their judgment that the circumstances dictate that the class of service which we are giving should be given is what I would call service of a main line character.

Hon. Mr. HANSON: It is a well-defined term in the railway world, is it not?

Mr. SYMINGTON: Well, there are main lines and branch lines, yes. But, for instance, in the railways there is a main line south and there are two main lines north; I would think that eventually there will be a main line east and west, north, as well as the present southern part of the country; for instance, Winnipeg to Edmonton would be characterized as of a main line character.

Hon. Mr. HANSON: On pages 8 and 9 there is a map showing Trans-Canada Air Lines.

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: Bearing in mind that the settled part of Canada is a strip of roughly 3,000 miles long and about 300 miles wide, generally speaking the main lines would be running east and west. Now, that would be my view of a main line, traversing the country from one end to the other. Would that not necessitate that all the others coming in to meet this main line be private lines or feeder lines?

Mr. SYMINGTON: You perhaps did not follow me. I meant as to main lines, lines of a main line character and lines to points of exit—that is, such as Windsor.

Hon. Mr. HANSON: And south.

Mr. SYMINGTON: Well, or such as you see from Edmonton to Alaska. The Lethbridge-Edmonton route was taken because it leads to Alaska and the orient. That is the reason, that is why what might have been considered a branch line was taken.

Hon. Mr. HANSON: Of course, I suppose you will operate all lines to points of exit, and that might be anywhere. For instance, the line from Fort William to Duluth, or from Vancouver up the coast.

Mr. SYMINGTON: As I understand it, Fort William-Duluth if such a line were going to be run, as I understand government policy at the moment—and that is T.C.A. policy—that would be run by the T.C.A.; because it is a matter of negotiations between governments.

Hon. Mr. HANSON: Well, generally speaking, it is the intention of the government and your company—and I presume in a measure for them—

Mr. SYMINGTON: No, no; I do not want you to presume that at all. You cannot assume that at all.

Hon. Mr. HANSON: You might allow me to presume it.

Mr. SYMINGTON: You can draw any implications you like; but do not consult me on questions of policy, that is their business. They now ask us certain questions of operation but I have nothing to do whatever with government policy.

Mr. DONNELLY: I take it then that it is your opinion that if we had two Trans-Canada Air Lines neither one of them would be making any profit; that is, if one were competing with the other.

Mr. SYMINGTON: Absolutely not; except that they would be an expense to the government, and in that way to the people of Canada.

Mr. DONNELLY: It may be some years before there would be sufficient traffic to warrant us doing that.

Mr. SYMINGTON: Absolutely.

Hon. Mr. HANSON: There does not look to be much chance for private enterprise from this. I am surprised at you, Mr. Symington, because I have always thought of you as the great champion of private enterprise.

Mr. SYMINGTON: You cannot always tell, Mr. Hanson.

Mr. DONNELLY: He has just championed private enterprise with respect to this feeder line traffic by private companies.

Hon. Mr. HANSON: But you can't pin him down as to what are feeder lines.

Mr. JACKMAN: Might I ask Mr. Symington in regard to these boards: yesterday refusal was given as to indicating salaries, do the board of directors of Trans-Canada draw any remuneration at all?

Mr. SYMINGTON: No, sir.

Mr. JACKMAN: But as directors of the C.N.R. system they do; that is, those who are also directors of the air lines.

Mr. SYMINGTON: Under the Canadian National-Pacific Act they do.

Mr. JACKMAN: And the amount of \$5,000.

Mr. SYMINGTON: Yes.

Mr. JACKMAN: As to the others appointed by the Governor in Council, do they draw anything for sitting on the board?

Mr. SYMINGTON: No.

Passenger Service

Revenue passengers numbered 104,446 in 1942, as compared with 85,154 in 1941, an increase of 23 per cent. The average passenger journey ranking military officers and other persons travelling on business essential was \$29.35 and per passenger mile 5.32 cents, as compared with \$27.58 and 5.31 cents respectively in 1941.

In April, 1942, the dominion government established a procedure under which space on the company's flights may be requisitioned for ranking military officers and other persons travelling on business essential to national defence. The company was instructed to classify passenger lists, giving preference to the military travelling on duty and to business men engaged in essential war work.

Hon. Mr. HANSON: You have spoken about revenue passengers, how many non-revenue passengers were carried?

Mr. SYMINGTON: The figure is 2,806.

Hon. Mr. HANSON: Who were they, principally?

Mr. SYMINGTON: T.C.A. employees on business, 1,333; dependents of T.C.A. employees on vacation, 818; employees of the Department of Transport on business, 427; courtesy trips, to press and Canadian Broadcasting Corporation, etc., 159; employees of airplane and engine manufacturers on test flights, 2; employees of the Post Office Department on business relating to air mail service, 51; and employees of other airlines, 16.

Hon. Mr. HANSON: That second class you mentioned.

Mr. SYMINGTON: Yes, an employee and his family are allowed one trip per year if a seat is available, a trip contingent on space.

Hon. Mr. HANSON: Is that part of your working arrangement with your union?

Mr. SYMINGTON: With the union, yes.

Hon. Mr. HANSON: Is that part of the working arrangement?

Mr. SYMINGTON: Yes, sir.

Hon. Mr. HANSON: All right, that is all.

Mr. McCULLOCH: Could there not be a better arrangement made about passengers? I know the case here a week ago Wednesday where a man got on the plane here at Ottawa Wednesday night, he had a meeting in Halifax on Thursday, he got on the plane at Ottawa and was put off at Montreal and had to return to Ottawa. He missed his meeting. Could he have been told before he left here that the passenger list was filled up at Montreal?

Mr. SYMINGTON: Well, I would like to have the particulars in the case, Mr. McCulloch. I cannot answer that off-hand; unless it was something of a military nature that came up at the Montreal airport, someone who came there with a "must ride" order from the government. Unless such was the case he should not have been deplaned, and if he was deplaned he should only have been deplaned if there were not somebody else of less importance than he was in the character of his business. The list that the government have given to us is such that when we get a "must ride" order from them we are to deplane in the following order: pleasure, vacation and miscellaneous travel; next, members of the armed forces on furlough; next, passengers travelling on ordinary business and then passengers travelling on war effort business. And now, that is the precedence that we take. When somebody comes along with a "must ride" order then we inquire of everybody why they are travelling. If it is for vacation, they are miscellaneous—they must get off first. If there are none of that class, then if the passenger is a member of the armed forces travelling on furlough, he must get off. If there are none of them, then the passenger travelling on ordinary business; and then the passenger travelling on war effort business; and so on through the list to the ones travelling on "must" rides. I really could not answer your question specifically without knowing all the circumstances. As perhaps you know passengers are required to pick up their transportation at least three hours before take-off time, otherwise they are out.

Mr. McCULLOCH: You see, there is only about thirty-five minutes difference between Ottawa and Montreal.

Mr. SYMINGTON: Quite so.

Mr. McCULLOCH: They would certainly have known before then that that airplane was filled.

Mr. SYMINGTON: Not necessarily. What happens would be this: somebody comes in from the States, either say from New York or by train from Detroit—the ferry people, and that sort of thing. He goes to the desk just before plane time and he puts down a government "must" ride and we have got to give him a ride. The result of that is that somebody has to be taken off.

Mr. McCULLOCH: And then this man had to come back to Ottawa.

Mr. SYMINGTON: That is unfortunate, I think.

Mr. McCULLOCH: The T.C.A. paid his board when he was there in Montreal but he had to come back to Ottawa at his own expense.

Mr. SYMINGTON: In other words, under the conditions under which you travel on the air line—if he is put off his expenses are paid and he gets the right to a seat on the next plane available whenever he can be put in. But if

he changes his mind and decides he is not going on, then we do not pay his fare, in that case, say back to Ottawa.

Mr. McCULLOCH: Would he have to buy a ticket to Montreal again say he wanted to go by air and go that way?

Mr. SYMINGTON: I would think so. Unless he had good reason, he should have stayed in Montreal and gone on on the next plane. I would like the particulars on it. These things do occur, naturally.

Mr. McCULLOCH: I will give them to you. There is one other thing, with regard to industries: I understand that if they pay a certain amount into T.C.A. they got a 15 per cent reduction.

Mr. SYMINGTON: That is what is known as the air travel card.

Mr. McCULLOCH: And they get a 15 per cent discount?

Mr. SYMINGTON: A 15 per cent deduction where you are travelling on air travel card.

Mr. McCULLOCH: I understand you have to make a deposit of \$425.

Mr. SYMINGTON: Yes.

Mr. McCULLOCH: And if you use up to \$300 of these tickets a year you get the discount.

Mr. SYMINGTON: Yes, that is for the year.

Mr. McCULLOCH: Is that going to be in force next year?

Mr. SYMINGTON: It was cancelled in the States and we applied—we are not under the same air restrictions here—and Mr. Donald Gordon said, no; that is an increase in fare so it stands here.

Hon. Mr. HANSON: And you have to keep it up. It seems to me that that is rather a discrimination against the ordinary traveller.

Mr. SYMINGTON: That is true; but it was put in, as you know, Mr. Hanson—

Hon. Mr. HANSON: I don't know anything about it.

Mr. SYMINGTON: Well it was put in early in the business. Airlines went to the big business houses in an endeavour to train them to go into the air business; if they were doing a certain amount of business to try to encourage them to use air lines services to a greater extent. It was a little more expensive than travel by rail and we thought that if they were encouraged to make use of air line it would be good business so we made them the offer that if they used \$300 worth of transportation in a given year we would allow them a discount.

Hon. Mr. HANSON: That is the same principle that applies to commercial travellers on the railways, is it not?

Mr. SYMINGTON: Yes. And now, I notice here in the report of the United Air Lines that on July 1, 1942, the 15 per cent discount to charge customers under the volume travel plan, and the 10 per cent reduction, and the half fares, are eliminated—it is expected that these discounts will be resumed after the war. But, as I said, we were not allowed to follow on that.

Mr. NICHOLSON: Have you a credit card system on the T.C.A.?

Mr. SYMINGTON: Yes sir.

Hon. Mr. HANSON: I think we are all agreed that there have to be priorities in war time, but I hope they will cease just as soon as the war is over.

Mr. SYMINGTON: Well; as far as “must” ride service is concerned, that is sure. They are a headache to the company, naturally. We have to be very careful and assiduous in our explanations to people who unfortunately are disappointed. People are naturally put out and annoyed by that sort of thing.

Hon. Mr. HANSON: They are irritated.

Mr. SYMINGTON: They are irritated; and we do not want to sacrifice the goodwill which we feel we have built up, so we go to extreme lengths to try to explain to them what has happened.

Hon. Mr. HANSON: When a man buys a ticket and pays for it, it constitutes, as you and I know, a contract; it is made known to him before he pays that he may be taken off a plane?

Mr. SYMINGTON: Oh yes.

Hon. Mr. HANSON: That is part of the contract?

Mr. SYMINGTON: Yes. It has been very well brought home to people; in fact, it has been so well brought home to them that many figure it hardly worthwhile to try to travel by air and we were losing traffic on account of it so we had to go about it in another way: we sent people letters assuring them that room was still available, even more than circumstances would sometimes seem to indicate to them.

AIR MAIL SERVICE

The increase in the volume of air mail carried by Trans-Canada which has marked each previous year's operations continued throughout 1942. During the year, 2,308,812 pounds of mail were carried, as compared with 1,389,614 pounds in 1941, an increase of 66 per cent. The average mail load per mile increased from 230 pounds in 1941 to 321 pounds in 1942, which is higher than the average loading on United States domestic air lines, according to the latest published figures. The revenue of the air line did not increase proportionately for the reason that the payments to the company for the carriage of air mail are based not on poundage but on plane miles flown in mail service. Indeed, on a poundage basis the compensation received by the company is steadily decreasing. Mail revenue per pound mile in 1940 was 3·2 mills, in 1941, 2·1 mills and in 1942, 1·4 mills.

I might add there in December it was 1 mill.

Hon. Mr. HANSON: I am not sure that I quite follow that. I do not know enough about this sort of thing, but everything is first-class mail?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: What we ordinarily call first-class mail?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: Are newspapers and periodicals carried the same way?

Mr. SYMINGTON: They are carried at the same rate if they are shipped but, of course, they are not. They are carried by the pound rate if they are shipped air mail.

Hon. Mr. HANSON: Is it on a poundage basis?

Mr. SYMINGTON: Well, they charge the public, of course, on an ounce basis.

Hon. Mr. HANSON: But you do not get paid on that basis?

Mr. SYMINGTON: We do not get paid on that. If we fly 100 miles on one route we are paid 42 cents per mile. Of course, if we have not any mail it is all the better for us because there is more room for passengers, but if the mail grows often it causes great trouble because two men, say, are going on a trip; one of them is de-planed; the other fellow gets in and finds an empty seat and then there is the deuce to pay. The reason is there is an extraordinary lot of mail that has first claim, and we will only lift so much in the plane so the seat has to be left vacant.

Hon. Mr. HANSON: I see. I am straightened out on that. The public is charged on the basis of poundage weight?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: But the air line gets paid on the basis of plane miles?

Mr. SYMINGTON: On the basis of plane miles.

Hon. Mr. HANSON: Now, I think we had some discussion on this yesterday, and I do not want to go over old ground, but it is anticipated, is it not, that this mail traffic will increase?

Mr. SYMINGTON: Oh, I think so, definitely, yes.

Hon. Mr. HANSON: My understanding is under the statute, or contract based on the statute, that automatically the rate goes down that the line gets; that is right?

Mr. SYMINGTON: According to its profits, yes, sir.

Hon. Mr. HANSON: All right.

Mr. SYMINGTON:

Air Express Service:

For urgent war industry shipments there was instituted a system whereby space on the company's aircraft may be requisitioned through the government. Military shipments and the needs of war industry were the principal factors in an increase of 109 per cent in the volume of air express handled: 362,837 pounds in 1942 as compared with 173,192 pounds in 1941.

Hon. Mr. HANSON: This service is to the public as well?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: Have the public patronized this service pretty well as compared with government and military service, or is it mostly military?

Mr. SYMINGTON: Oh, yes, they have, the most of it, because we carried only 8,991 pounds of priority express and 11,762 pounds of priority baggage for the R.C.A.F. ferry pilots. Ferry pilots and their baggage have priority. For instance, we bring people from Detroit with their baggage, these American pilots who fly their bombers over. Because of weather conditions they get notified that a plane will go to-morrow and we have to bring those people down and give them "must" rides.

Hon. Mr. HANSON: That is quite understandable and quite proper. Then you anticipate an increase, too, in this service from the commercial world?

Mr. SYMINGTON: Oh, indeed, yes.

Hon. Mr. HANSON: And I suppose it is fairly profitable?

Mr. SYMINGTON: Yes, it is.

Hon. Mr. HANSON: How does it compare with passengers? Take a similar weight and space; is the express charge higher than the passenger charge?

Mr. SYMINGTON: It is less than the passenger but it is very much higher than ordinary express.

Hon. Mr. HANSON: Oh, I understand that, but you can only carry so much weight.

Mr. SYMINGTON:

Airway Facilities

A continuing program of improvements to runways, field facilities; airport lighting and navigational aids was maintained throughout the year by the Department of Transport. The operations of the weather reporting service of the meteorological branch of the department were extended and a number of new observation and reporting centres established.

Hon. Mr. HANSON: Now, Mr. Symington, there is a question as to airway facilities. Are they established and maintained by the Department of Transport apart from the company or how is it done? Who owns the airway facilities? Who pays for them?

Mr. SYMINGTON: Mostly Transport; municipalities own some, and we pay rental; all air lines pay rental to one or the other for the use.

Hon. Mr. HANSON: You pay rental to the Department of Transport?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: What is the capital cost of the facilities established at public expense? I mean by that federal expense?

Mr. SYMINGTON: I cannot give you the figure but, of course, it is very great. Probably the Department of Transport can give that.

Hon. Mr. HANSON: It is enormous.

Mr. SYMINGTON: It is naturally very large.

Mr. EDWARDS: In round figures, \$18,000,000 paid out of civil appropriation.

Hon. Mr. HANSON: What is that?

Mr. EDWARDS: \$18,000,000.

Hon. Mr. HANSON: That is the total capital cost for Trans-Canada Airways?

Mr. EDWARDS: That is wholly dominion. In addition to that there are about \$5,000,000 which have been spent by municipalities and by cities.

Hon. Mr. HANSON: I want to know the amount referable to the Trans-Canada Airlines service.

Mr. EDWARDS: I will bring that a little later on, sir. You can say to all intents and purposes about \$16,000,000 of that.

Hon. Mr. HANSON: How much rentals do they pay?

Mr. EDWARDS: Our revenue last year was of the order of \$100,000.

Hon. Mr. HANSON: What is that percentage?

Mr. JACKMAN: .06 per cent.

Hon. Mr. HANSON: That is a pretty generous subsidy, is it not, to the operation of Trans-Canada Airlines?

Mr. SYMINGTON: May I point out that these facilities are used by the R.C.A.F., the military, everybody.

Hon. Mr. HANSON: Oh yes.

Mr. SYMINGTON: It is not exclusively for us by any manner of means.

Hon. Mr. HANSON: But that is in wartime.

Mr. SYMINGTON: Yes, true.

Hon. Mr. HANSON: Your operation expenses are greatly reduced by the fact that you pay a mere pittance to the government for the facilities that you use?

Mr. SYMINGTON: That is probably so if you concede that is a duty of an airline. I do not know any country in the world, including the United States, where the same thing has not been done.

Hon. Mr. HANSON: That may be true, but I am trying to look at it from a business standpoint. You pay \$100,000 for the rental of airway facilities that cost \$16,000,000. I do not say you have exclusive use of them at all but you have the major use of them?

Mr. SYMINGTON: I do not know that we have the major use of them, no. After all we are flying 24 planes out of I do not know how many thousands flown here in Canada.

Hon. Mr. HANSON: As a business proposition and apart from war you would not say \$100,000 was enough for the use of those facilities?

Mr. SYMINGTON: I think it is the same principle, probably, as canals, Mr. Hanson. It is a system of travel.

Hon. Mr. HANSON: Do not bring that up, please.

Mr. SYMINGTON: I do not want to have the efforts belittled unfairly because it is so in every country that all landing fields are furnished by the governments.

Hon. Mr. MICHAUD: Would it require an expenditure of \$18,000,000 for your requirements?

Mr. SYMINGTON: No.

Hon. Mr. HANSON: I did not say they did, but it seems to me that \$100,000 rental for the use of the facilities is quite inadequate.

Mr. SYMINGTON: It is the same basis practically as we pay for our service at La Guardia field in New York. It is based on the number of landings, and it is exactly the same principle throughout.

Hon. Mr. HANSON: The number of landings?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: How much per landing?

Mr. SYMINGTON: Well, I am not sure how much per landing.

Mr. EDWARDS: The standard rate is \$150 per month per trip for the first one, and \$50 per month per trip after that, and that applies to the American lines, to every aircraft that uses the airport. If an outsider comes in he pays \$2.

Hon. Mr. HANSON: That is the accepted standard. In other words, it comes down to this—and I am not objecting to it—that the country is giving an additional subsidy to the airline transportation system. Let us have the fact, that is all.

Mr. SYMINGTON: I would immediately concede if the government did not build the landing fields there would be no air transportation; that is sure.

Hon. Mr. HANSON: There is the same thing in navigation. I am not objecting to that but I want the fact brought out.

Mr. SYMINGTON: All I want to bring out is it is not indigenous to this country; it is the same all over.

Hon. Mr. HANSON: I agree, but the fact remains just the same that airline transportation, like navigation, is getting a substantial subsidy out of the public treasury?

Mr. SYMINGTON: Well, if that is the way you want to put it, it is all right.

Mr. HARRIS: You say all countries; do you refer to the Irish Free State, for example?

Mr. SYMINGTON: I really do not know about the Irish Free State.

Mr. HARRIS: Do you know if it applies with regard to the United Kingdom?

Mr. SYMINGTON: Yes, so far as the landing of flights there are concerned I think that is right.

Mr. HARRIS: The cost would be about the same?

Mr. SYMINGTON: Yes.

Mr. HARRIS: You do not know definitely?

Mr. SYMINGTON: Not definitely, but it is approximately.

Mr. HARRIS: There are none of your staff here that know whether or not that is the fact?

Mr. SYMINGTON: At the moment, of course, Mr. Harris, they are all militarized and under control. There is no charge. The general principle of landing in England is the same, and I think approximately the same fees.

Mr. HARRIS: We understand the principle. We are trying to find out about the cost.

Mr. SYMINGTON: It is approximately the same.

Mr. HARRIS: Does it apply to Mexico and South America?

Mr. SYMINGTON: I cannot give you the exact figure. I am inclined to think probably Mexico is free. They are very anxious to get lines in there. They have got the American Airline and also the Union Airline, but it is approximately either free or roughly the same; nothing to do, in other words, with the value of the investment.

Mr. HARRIS: In Bermuda it is about treble, is it not?

Mr. SYMINGTON: Of course, Bermuda has been mostly boats, not land planes.

Mr. JACKMAN: How does this principle work out, for instance, on a typical field? Let us take the one on Vancouver Island. You can make many landings by paying \$150 per month there, one landing a day; is that the way it works?

Mr. SYMINGTON: Two a day; we make two a day.

Mr. JACKMAN: Two landings a day, and you pay \$150 a month?

Hon. Mr. HANSON: You can make ten for the same amount?

Mr. SYMINGTON: No, \$50 for each additional trip.

Mr. JACKMAN: A trip is two landings; is that what you mean?

Mr. SYMINGTON: A landing and a take-off is one.

Mr. JACKMAN: A landing and a take-off is one and you pay \$150 a month for the privilege of landing twice in a day; is that it?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: Dealing further with the servicing of the plane at the point of landing and departure, is that done by your own employees?

Mr. SYMINGTON: Yes. You see, we build hangars and so on at these places and have landing space there.

Hon. Mr. HANSON: I was thinking of Moncton where I have often been. There is a very substantial number of people who come out to service the plane.

Mr. SYMINGTON: Those are all T.C.A. employees.

Hon. Mr. HANSON: What about weather service? I suppose that is free, is it not?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: It should be, anyway. If the whole country gets it free you are entitled to it. They do serve a very valuable purpose.

Mr. SYMINGTON: An absolutely necessary purpose.

Hon. Mr. HANSON: You would have to supply that if it were a purely commercial proposition?

Mr. SYMINGTON: Quite right.

Hon. Mr. HANSON: It is a very fine service. I am glad to say that.

Mr. SYMINGTON:

Property and Equipment

The company's plant and equipment have been well maintained and are in good condition.

The flight equipment of the company as at December 31, 1942, consisted of:

11 Lockheed 14-08 aircraft, equipped with two Pratt and Whitney Twin-row Wasp engines each of 1200 horsepower.

1 Lockheed 14H aircraft, equipped with two Pratt and Whitney Hornet engines each of 850 horsepower.

12 Lockheed Lodestar aircraft, equipped with two Pratt and Whitney Twin-row Wasp engines each of 1200 horsepower.

To provide equipment for the Newfoundland service and the increased schedules to the Maritime Provinces, and to replace aircraft requisitioned by the government, six additional Lodestar aircraft were acquired in the last half of the year and are now in service.

Hon. Mr. HANSON: Just there, have you in contemplation anything in the shape of freight carriers? That is a great question in the United States?

Mr. SYMINGTON: Yes, it is being studied there.

Hon. Mr. HANSON: You have not got anything yet?

Mr. SYMINGTON: When I say we have not got any I said yesterday we had procured a plane, and that commencing last Friday we carried in that plane 13,000 pounds to a certain airport—here the censor speaks.

Hon. Mr. HANSON: Do not mention it. Pardon me; I interrupted you.

Mr. SYMINGTON: It is all right.

Mr. HARRIS: It is common knowledge that an effort is being made to use a Newfoundland base for the transporting of freight by gliders from perhaps even as far distant as Montreal. Would you take under consideration, Mr. Chairman, the advisability or practicability of having this committee meet, perhaps in camera, and have this organization tell the members of this House what success they are having with regard to the gliding of freight traffic from point to point? I think that comes right at this point. We are entitled to ask these questions. I do not want you to do anything at all that will in any way harm the war effort but we, who have the responsibility of passing on the Trans-Canada Airlines, have the right to know.

Mr. SYMINGTON: We have done no gliding at all, nor done anything about it.

Mr. HARRIS: Is something being done about it?

Mr. SYMINGTON: Not by T.C.A., no.

Mr. HARRIS: You might divide the line very thinly between T.C.A. and other services.

Mr. SYMINGTON: Nothing that T.C.A. is connected with, nothing at all.

Mr. HARRIS: None of your engineering branches or your research branches are giving any attention to the matter of gliding freight to overcome the submarine menace?

Mr. SYMINGTON: Nothing except reading what appears on the subject; there has been no designing, no nothing.

Mr. HARRIS: Your organization is not being used to facilitate that in any way whatsoever?

Mr. SYMINGTON: No, not at all.

Mr. HARRIS: Have you a research department in connection with your operations looking into the matter of more simple ways of handling freight? You have no research department?

Mr. SYMINGTON: We have a research department but that is not what it is engaged on at the moment. We are primarily not a freight line.

Mr. HARRIS: You are a passenger and certainly a mail line.

Mr. SYMINGTON: We are a mail line and a high speed passenger line. That is what we are.

Mr. HARRIS: Your research department has not given any attention to gliding mail?

Mr. SYMINGTON: No.

Mr. HARRIS: Nothing has been done on that by your organization at all?

Mr. SYMINGTON: No.

Hon. Mr. HANSON: Having regard to the expansion visualized in this report is your equipment sufficient?

Mr. SYMINGTON: Well, it is worked very hard, Mr. Hanson, but you cannot get equipment these days.

Hon. Mr. HANSON: I think you are doing pretty well. We are doing pretty well in aircraft production on this continent.

Mr. SYMINGTON: In this country or on this continent?

Hon. Mr. HANSON: On this continent.

Mr. SYMINGTON: That is true, but you cannot get aircraft from the United States. They are making military aircraft.

Hon. Mr. HANSON: How much more can you expand your service with the limitation on your equipment?

Mr. SYMINGTON: Not very much more.

Hon. Mr. HANSON: You are at the limit, are you not?

Mr. SYMINGTON: We are pretty nearly.

Mr. LOCKHART: There is no hope for equipment from Canadian manufacturers at all yet?

Mr. SYMINGTON: They are all working on it, sir, all designing and all drawing. They are also looking towards the future. When I say all, a great many of them are, to my knowledge.

Hon. Mr. HANSON: Aircraft companies.

Mr. SYMINGTON: Something is being done in that regard, yes.

Mr. LOCKHART: Would you say that satisfactory progress is being made having in mind the future equipment that is required?

Mr. SYMINGTON: I cannot speak with knowledge of them all, sir. I know one or two where I think they are very alert, and doing a good deal.

Mr. LOCKHART: It seems to be the general feeling that we are going to be dependent on outside capital for equipment for many, many years?

Mr. SYMINGTON: I would not think for many, many years. I do not think there can be any doubt our friends to the south will have a great advantage over everybody in the world with respect to ability to create that type of ship because they have been building practically all the transport and all the bombers for use in this war. I should not say all the bombers, but on this continent, all the bombers.

Hon. Mr. HANSON: And they know it, and then some; they intend to dominate the air world.

Mr. SYMINGTON: We quite understand that situation.

Mr. NICHOLSON: What are the prospects of securing sufficient equipment to inaugurate the proposed service from Toronto to Sault Ste. Marie and on to Winnipeg and Edmonton?

Mr. SYMINGTON: That will be the first equipment we will probably get, and I think it will be within a reasonable time.

Mr. NICHOLSON: Do we have to wait until the war is over?

Mr. SYMINGTON: I hope not.

Hon. Mr. HANSON: At all events, the situation is now that you are carrying all the business your equipment will justify?

Mr. SYMINGTON: Within measurable limits, yes, I would say that is so.

Hon. Mr. HANSON: I hope that the factor of safety, overhaul, and that sort of thing, is not being overlooked?

Mr. SYMINGTON: On the contrary, I think we are getting tighter all the time.

Hon. Mr. HANSON: I am glad to hear that. The man who flew us back over the Atlantic was an Imperial Airways man, and he said that he was more careful every trip that he took, after having flown 18,000,000 miles, or something like that.

Mr. SYMINGTON: That is a lot of miles.

Hon. Mr. HANSON: Anyway, he had flown an immense amount, and he was more careful every time he took off. I think that should be the guiding principle.

Mr. SYMINGTON: That is probably the reason he is alive, Mr. Hanson.

Mr. JACKMAN: What percentage of the passenger seats are occupied now as compared with last year?

Mr. SYMINGTON: Seventy-four as against sixty-seven.

Mr. JACKMAN: And you were very pleased with last year's performance so you are extremely gratified now.

Mr. SYMINGTON: I think the improvement has come because of the steps we took to try to eliminate "non-show" passengers and that sort of thing by various telephone calls and "must-pick-ups" a certain number of hours before and so on.

Mr. HARRIS: This might be the only place where I would be in order to discuss the Newfoundland section of the service.

The CHAIRMAN: We discussed that yesterday.

Mr. HARRIS: Is any of this equipment that you purchased during the calendar year 1942 for trailing gliders?

Mr. SYMINGTON: No.

Mr. HARRIS: Then, in your new additions which you contemplate for 1943 you are in the same position are you; will any of that be for trailing gliders?

Mr. SYMINGTON: I do not know whether we will get any in 1943, but if we do the consideration has not been given to equipment capable of hauling gliders.

Mr. HARRIS: May I put this suggestion on the record. Before we meet again next year to discuss this same problem which, to my mind, it is necessary that we support in every way, Trans-Canada Air Lines, I would like to say in the same sentence that we should be a little sensible about the way we are subsidizing these people from four or five different angles; but if we are going to subsidize this organization then we want to see it develop into one of the best organizations of its kind in the world both from the point of view of maintenance of equipment and operation and everything that goes with it. Next year I would like to put on the record, if we are organized as we are now, very pertinent questions with regard to gliders, freight and passengers and what not from Montreal to Newfoundland and from Newfoundland to, perhaps, the Irish Free State or the United Kingdom, to overcome the menace which worries all of us, the submarine menace. I would like the research department to give some thought to that matter and in due course, either in a camera session or otherwise, inform the members of the House of Commons actually what is being done. If you are not going to make this one of the best organizations in the world, then we are going to criticize some of the subsidies that we are voting for you willingly now in order that we may reach that objective. I feel disposed to criticize the subsidies, as I said last year, unless we can have a real forward movement in every branch of the service.

Mr. SYMINGTON: Well, Mr. Harris, I think if you would direct the attention of the government to the fact that we are to consider that type of service—

Mr. HARRIS: That is why I am speaking now; that is why I am putting this on the record.

Mr. SYMINGTON: Of course, we are operating under an Act. With great deference I do not think we are subsidized; I think we give full value to the Post Office Department and the Air department, but if the government contemplates that this is to be a freight road, a freight line hauling gliders after the war—because now that is a military proposition, it seems to me, and we have to keep the two very much apart—

Mr. HARRIS: Mr. Chairman, I do not want words put in my mouth. I did not say anything, Mr. Chairman, with regard to after the war. The war is on and the real reason for my remark is that the war is on and because this menace is here. I based my observations on that fact. We have this organization which should be giving thought and study to the transport of mail, freight and passengers; that is their line of business, and I am asking that that matter be given some consideration. I will not have words put in my mouth such as "after the war"; I am thinking of now.

Mr. SYMINGTON: Then, that is a military operation.

The Lockheed 14H aircraft of the company were improved by the installation of Twin-row Wasp engines, replacing Hornet engines. By December 31, the engine substitution had been completed in eleven aircraft and the change was made in the twelfth aircraft in February, 1943.

Additions to property and equipment totalled \$2,040,166, and retirements amounted to \$1,267,237, resulting in a net increase in investment account of \$772,929, as follows:—

Additions

Purchase of six Lockheed Lodestar aircraft complete with radio	\$ 1,144,599
Purchase of Pratt & Whitney Twin-row Wasp engines to replace Hornet engines—final payment	287,716
Value of eleven Lockheed 14-08 aircraft	539,868
Servicing and office equipment	35,601
Betterments to fixed property and miscellaneous	32,382
	<hr/>
	\$ 2,040,166

Hon. Mr. HANSON: Why was that done?

Mr. SYMINGTON: These engines had done their full hours in the air, and we got heavier engines.

Hon. Mr. HANSON: You have sold them.

Mr. SYMINGTON: True, that is pretty much of a war condition. At any rate, we had flown them more than the given number of hours.

Hon. Mr. HANSON: Were they sold back to the makers or were they sold to other flying companies?

Mr. SYMINGTON: They were sold, sir, to Central America, Australia, and the Canadian Pacific air service.

Hon. Mr. HANSON: There must have been a lot of value left in them.

Mr. SYMINGTON: I may say to you that we were very pleased to get the money—there is no doubt about that—for them.

Hon. Mr. HANSON: They were probably sold pretty cheap, were they? Who put the valuation on them?

Mr. SYMINGTON: They were not sold very cheap; at least the purchaser did not think so.

Hon. Mr. HANSON: \$10,000 a piece?

Mr. SYMINGTON: Yes, well that was a find. If it had not been for the war we would not have got anything for them.

Hon. Mr. HANSON: Maybe not. You may be right. At all events, they were useful to the purchaser.

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: And they are being used, I supposed?

Mr. SYMINGTON: I suppose so. I do not know. I suspect they are. You understand that the Hornet engine is no longer in production; you cannot get spare parts for it.

Hon. Mr. HANSON: That is the real reason for the displacement—if you could not get parts.

Mr. SYMINGTON: They are no longer in production at all that Hornet engine.

Retirements

26 Hornet engines sold.....	\$ 270,600
Cost of eleven Lockheed 14H aircraft, converted to 14-08's.....	983,512
Servicing equipment and miscellaneous.....	13,125
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	\$1,267,237

Net increase in property and equipment account	\$ 772,929
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Hon. Mr. HANSON: Just for my information, how do you finance this?

Mr. SYMINGTON: We finance it by a call-up of stock, or if we have the money, out of current account, depreciation account, of course.

Hon. Mr. HANSON: Partly from the three sources, is that the idea?

Mr. SYMINGTON: Yes. We issued 850,000 dollars of additional stock this year.

Hon. Mr. HANSON: That would be new capital.

Mr. PARENT: Who took up the stock?

Mr. SYMINGTON: The Railway. The capital stock was increased during the year by \$850,000; surplus \$494,915; \$1,344,915; depreciation \$344,177—that is a decrease; self insurance \$110,989.

Hon. Mr. HANSON: I cannot follow you. How much is the depreciation.

Mr. SYMINGTON: \$344,177.

Hon. Mr. HANSON: That leaves how much?

Mr. SYMINGTON: Self insurance \$110,989. That is all on page 11 of the report.

Mr. EMERSON: The value of the eleven Lockheed 14H aircraft figures out about \$49,000 each, and over on your retirements you say the cost of the eleven Lockheed 14H aircraft, converted to 14-08's is \$89,410 each.

Mr. SYMINGTON: The way the auditors do it is this: \$983,512 in retirements at the original book cost. The figure on the other side, \$539,868 was the old depreciated book cost plus the cost of the new engines.

Hon. Mr. HANSON: The depreciated book value.

Mr. SYMINGTON: Yes, depreciated book value plus the cost of the new engines.

Hon. Mr. HANSON: Generally speaking, I wanted to know out of what funds or class of funds these additions were financed. I gather they were financed from three sources?

Mr. SYMINGTON: Four: capital, insurance reserve, depreciation and operating surplus.

Hon. Mr. HANSON: And capital?

Mr. SYMINGTON: Capital, yes.

Mr. JACKMAN: I would like to say something with regard to the way they have handled the accounting on the conversion of the Lockheed 14H to 14-08. As I understand it they have written the whole thing off in the \$983,000 item?

Mr. SYMINGTON: Yes.

Mr. JACKMAN: And they have taken the undepreciated value which was on the books and added to it the cost of the new engines and set it up as a new capital asset.

Mr. SYMINGTON: Quite so.

Mr. JACKMAN: Why did they not leave the books as they were instead of carrying out this confusing accounting and add an item for improvements?

Mr. SYMINGTON: The reason is that we have an entirely different article upon which depreciation starts again. We have really got to some extent a new plane, but the book cost estimate was what is shown here—the old one—the 14's were written off, and the 14-08's—a different type—are then put on at actual cost. The original amount less the amount already paid for by depreciation plus the actual cost of the new engines.

Hon. Mr. HANSON: You are telling us that you have a new capital asset?

Mr. SYMINGTON: A new capital asset at actual cost.

Mr. JACKMAN: Is there any advantage or disadvantage to the T.C.A. in the rates of depreciation which will be charged by this method of handling the accounts?

Mr. SYMINGTON: No, I think it is actually in accordance with the principles laid down, that we depreciate these things upon a certain fixed rate, upon what they cost and that is the only way I know of arriving at the cost of the 14-08's.

Hon. Mr. HANSON: It is an accounting problem?

Mr. JACKMAN: It interferes with their earnings very greatly. It is complicated. I do not know whether I should go into that or not. You have written off \$983,000. I presume this is all out of the operating account for the one year.

Mr. SYMINGTON: No, it has nothing to do with that. We just write it off on the one side, take it out of depreciation reserve, and we set up the undepreciated part for these converted planes on the other.

Mr. JACKMAN: You charge \$983,000 to the accumulated depreciated reserve?

Mr. SYMINGTON: Yes; and credit it on the other hand, with what we have set up as value—the actual undepreciated part of the new plane to which it contributed.

Hon. Mr. HANSON: For a new asset.

Mr. SYMINGTON: Yes, for a new asset.

The paid in capital of the company is now \$4,600,000, an increase during the year of \$850,000. The new capital was used to finance the purchase of six Lodestar aircraft. The self insurance reserve increased by \$110,990, and is now \$403,162. The depreciation reserve at December 31 stood at \$1,504,190.

Hon. Mr. HANSON: What is the rate? I suppose it varies on the asset?

Mr. SYMINGTON: Twenty-five per cent per year on aircraft.

Hon. Mr. HANSON: And a lesser amount on others?

Mr. SYMINGTON: Six thousand hours on engines.

Hon. Mr. HANSON: Who put up the \$850,000 capital stock?

Mr. SYMINGTON: The money came from the Canadian National Railways.

Hon. Mr. HANSON: Did not the government put up any?

Mr. SYMINGTON: No, they do not own any stock—it is all from the Canadian National Railways.

Mr. JACKMAN: What did the books show when you sold those twenty-six Hornet engines? Did you realize a profit or a loss as compared with the book cost?

Mr. SYMINGTON: We realized a profit.

Mr. JACKMAN: I thought you probably would in these times.

Mr. SYMINGTON: A capital profit of \$101,490. I tried to contend that that should not be taken off airmail rates but it was.

Mr. JACKMAN: It went into your profits?

Mr. SYMINGTON: Yes.

Mr. JACKMAN: Were there any further capital profits—what I call capital profits—which went into the operating accounts—substantial amounts, I mean.

Mr. SYMINGTON: No sir, there were none at all.

Now, we come to personnel—

Mr. HARRIS: Just before you go on with that, would you explain that self insurance reserve increase and tell us at the same time how much outside insurance you carry, and how much insurance is carried by organizations other than your own.

Mr. SYMINGTON: Yes, sir. I think you will be glad to know Mr. Harris that we have at last got to the position where we are becoming completely self insurers, except with respect to fire in the hangars where a good many aircraft may be stored at one time.

Mr. HARRIS: What premiums were you paying in 1942 with respect to crash insurance; how much did you pay by way of premiums last year, the year in which you say you became more or less self insured?

Mr. SYMINGTON: That is a change which has just been made. We carried the crash insurance this past year ourselves. The total amount paid for outside insurance was \$156,919.86.

Mr. HARRIS: And for the current year of 1943 you have no outside insurance?

Mr. SYMINGTON: We will have about \$30,000—\$33,000, I think. We have set up a separate fund to be invested as an insurance fund of \$400,000; and the reason we did that—apart from the fact that I think it is the proper thing to do—is that we have agreements with the other air lines who have a contractual liability to the people to whom they sell their tickets and where part of the run is over our lines and they have to have guarantees that if anything happens the passenger is going to have a proper place to get his damages, so that having got that fund fixed at \$400,000 we have now become self insurers on all the operations except for the big hangars where there may be four or five planes in at once and where the fire hazard is high and the loss potential so great that we felt we ought not to undertake it with only a fund of that size; and the premium on that is relatively small, it is around \$33,000 for three years.

Mr. HARRIS: Are you still under contract to outside adjusters in the matter of crash?

Mr. SYMINGTON: In the matter of crash, ending May 1st, no.

Mr. HARRIS: Is it your purpose to retain outside adjusters?

Mr. SYMINGTON: I do not know that we have given consideration to that, Mr. Harris; we start assuming all of these risks at the expiration of the policies on May 1st.

Mr. HARRIS: Have you settled up on the Armstrong crash?

Mr. SYMINGTON: That has all been settled.

Mr. POULIOT: Who are your insurance brokers?

Mr. SYMINGTON: The Canadian National Railways' insurance department.

Hon. Mr. HANSON: Coming back to the point you raised a moment ago about when you are selling capital assets and considering that as an operating profit, that does sound very strange to me. I am inclined to agree with you.

Mr. SYMINGTON: On the other hand, Mr. Hanson, the other point of view is that any revenue has a bearing on the mail rate where they charge up depreciation, and they calculated that in our depreciation. Their contention is that there is a profit made by salvage and that it would affect depreciation; and I must say that I do not know that I could disagree with them—I tried to—that they are really entitled to it. That is the position.

Hon. Mr. HANSON: They insisted?

Mr. SYMINGTON: They insisted, yes.

Hon. Mr. HANSON: What did the auditors say about it?

Mr. SYMINGTON: I think they are inclined to agree with the Post Office Department, that as the Post Office Department pay for depreciation they ought to get credit for any salvage.

Mr. NICHOLSON: If there were a loss of \$400,000 it would work the other way.

Mr. SYMINGTON: It would work the other way.

Mr. JACKMAN: I suppose that \$150,000 included in incidental services was taken into the income account?

Mr. MATTHEWS: In the adjusted depreciation charges you will find that the rates of the earlier years were amended. The rates charged for depreciation have been a little high. Now, this year when the final value of the planes became evident, the amount that has been provided for depreciation under operating expense account in the past years has been revised and that amount is taken in in the depreciation account for the year, as Mr. Symington says. The depreciation rate of previous years has been charged to this expense.

Mr. JACKMAN: You were not able to follow up your policy, you had to make a readjustment.

Mr. MATTHEWS: Not a readjustment—we brought it in line with what turned out to be the actual fact.

Mr. JACKMAN: As the result of fortuitous circumstances, apparently.

Mr. MATTHEWS: No, not in the light of circumstances, in the light of experience.

Mr. JACKMAN: It was fortunate that you were able to dispose of these engines to the ferry command people.

Mr. MATTHEWS: That is right, but the fact still remains that the depreciation charge made to operating expense was made in the light of final experience.

Mr. JACKMAN: But it does not enter in the revenue.

Mr. MATTHEWS: In determining the depreciation charge for the year the amount that has been over accrued in previous years is treated as deduction on the books. Under the circumstances we consider that to be proper treatment in the light of Trans-Canada contract.

Mr. JACKMAN: It only entered in the profit and loss account so far as the mail contract was concerned, not so far as equipment was concerned.

Mr. HANSON (Skeena): Mr. Chairman, I cannot hear what is being said and I am sure the reporter cannot. This is important, and I think it should be on the records; Mr. Matthews should take the stand as a witness.

The CHAIRMAN: You are right, Mr. Hanson. I will ask the witness to come up here where he can be heard. If you want this to appear in the record,

you will have to ask your questions clearly and the witness will have to speak, loudly enough to be heard up here or otherwise the reporter cannot take it.

Mr. POULIOT: I have only one question to ask; do you charge the Post Office Department depreciation due to the handling of the mail bags from the airplanes.

Mr. MATTHEWS: Did you say, the mail bags?

Mr. POULIOT: Yes, because they are an item of considerable cost to the Post Office Department.

The CHAIRMAN: Order. I think we will ask Mr. Symington to continue.

Mr. SYMINGTON :

Personnel

The total personnel of the company as at December 31, 1942, was 1,662, of whom 464, or approximately 30 per cent, were women. The policy of employing women and ex-service men was continued throughout the year. Included in the various activities in which women are now employed are those of agents, chauffeurs, cargo handlers, radio operators, stockkeepers and workers in the mechanical shops.

Mr. JACKMAN : Would you be in a position to speak about what total personnel are employed by private companies ?

Mr. SYMINGTON : No, I would not.

Mr. JACKMAN : I read in an article some place that the C.P. Airways had 7,000 employees. I presume that they might be engaged in other types of work—what would they be doing ?

Mr. SYMINGTON : I do not know. I really do not. They do some government work in connection with cadet training and that sort of thing. But I have not gone into their affairs at all, Mr. Jackman.

Hon. Mr. HANSON : A private company would have altogether about 10,000 employees.

Mr. SYMINGTON : That may be; I would not know.

Hon. Mr. HANSON : I would tell you your policy. If your policy were to prevail these people would be out of a job.

Mr. SYMINGTON : Somebody is going to provide the service, Mr. Hanson.

Mr. PARENT : I notice that the total amount you show for salaries and wages is \$99,931.46; does that represent the salaries of these 1,662 employees ?

Mr. SYMINGTON : Oh, no. Where are you reading from ?

Mr. PARENT : From page 11.

Mr. CHAIRMAN : We are on page 7 now.

Mr. PARENT : I noticed an item of current liabilities in connection with salaries and wages and I thought this was the time to bring it up.

Mr. SYMINGTON : Oh, as to current liabilities, those are the unpaid amounts, wages for a week or for two weeks — whatever it may be.

Mr. POULIOT : Were you asked by national selective service to supply them with a list of those engaged in essential occupations ?

Mr. SYMINGTON : Yes, and we supplied them with the name of every person in the employ of Trans-Canada Air Lines we considered essential.

Mr. POULIOT : Would you have any objection to tabling that list ?

Mr. SYMINGTON : I do not know, Mr. Pouliot that I have it. I was having great difficulty in connection with the personnel of T.C.A. and I conferred with the national selective service people and they said, you furnish us with a list in all the districts of the people and their occupations and indicate who are

essential; and you understand the seriousness of the situation and we look to you, it is your responsibility not to ask for anybody who is not essential; so we furnished it. I haven't got in here. I probably have it in my office.

Mr. POULIOT : Have you some embarrassment regarding the names of the individuals ? Will you please tell the committee what are the occupations that you consider essential for your service in the T.C.A.—men and women.

Mr. SYMINGTON : We do not consider any of the women essential. We have now substituted up to about forty per cent of personnel with women. We consider the flying personnel, the mechanics and key men as absolutely essential and some of the despatchers, one or two of the superintendents and that sort of thing.

Mr. POULIOT : And the mechanics ?

Mr. SYMINGTON : That is pretty well limited to pilots, engineers and radio position operators.

Hon. Mr. HANSON : That sounds reasonable.

Mr. SYMINGTON : To date 204 men in our service have enlisted.

Mr. HARRIS : Are the T.C.A. still using the services of the purchasing department of the Canadian National Railways ?

Mr. SYMINGTON : Yes.

Mr. HARRIS : Then this word "total" — total personnel of the company is really just the operational personnel, is it not ?

Mr. SYMINGTON : Yes; I feel that perhaps the term as used may be a little wide.

Mr. HARRIS : I think, Mr. Chairman, the report ought to be amended so there will be no misunderstanding of the situation. Apart from the purchasing agent there are a lot of other services which are — quite properly from the standpoint of economy — given to the T.C.A. by the Canadian National Railway; perhaps part time in many instances, where it permits of bulk purchases and where it permits of bulk services which have nothing to do with operational services. Now, could we not have something that would not mislead us on this ? This word "total" certainly misleads me. The total is not 1,662 by any means. Let me put it to you this way, Mr. Chairman. If there were no Canadian National Railways at all, none of their personnel available to the T.C.A., and you had to establish the services, all that is supposed to cover the total of your personnel would be considerably more than 1,662.

Mr. SYMINGTON : Mr. Harris, might I explain ? You were not here yesterday. The thing is quite clear on the record. Out of a total bill of \$2,600,000 we paid a certain department of the Canadian National Railway \$31,300 for services they perform. As I say, our total bill is two \$2,600,000, and the C.N.R. are paid for certain purchasing services and so on \$31,300 per annum.

Hon. Mr. HANSON : And the cost would be much less.

Mr. SYMINGTON : I quite agree, but it is to the joint advantage of both. It will be more next year, there is no doubt about that.

Mr. HARRIS : You could not put up the services for \$31,000 odd.

Mr. SYMINGTON : I am very glad to have that statement; because we have been attacked, as you know, on the other side.

Hon. Mr. HANSON : By whom ?

Mr. SYMINGTON : By various people that we were paying—this came up in the committee the other day—that we were paying too much out in that way. But, as business men we get reports—I had a survey made—from which, of course, you figure your position. The figure I have indicates that next year we will have to pay the Canadian National more, because the service is growing as the line grows. It does not stay fixed.

Hon. Mr. HANSON: From that we can take it, I think, that you are not paying enough.

Mr. SYMINGTON: Sure, that is the position indicated.

Hon. Mr. HANSON: Well then, we ought to know mathematically what the service is and what it costs them.

Mr. SYMINGTON: That is difficult to get at, but there is an indirect saving in not having two sets of medical organizations and purchasing organizations when the whole organization is there.

Mr. JACKMAN: Do you say that as business men they meet and consider themselves as organizations; or, is the relationship that of father and child?

Mr. SYMINGTON: Well, I think you can concede that business men can sit down and discuss these things on a fairly reasonable basis and arrive at what they both conclude is a fair result.

Mr. JACKMAN: I think, referring to your own figures, that the saving which costs you \$31,300 amounts to around \$60,000 to \$75,000.

Mr. SYMINGTON: That is quite true. On the other hand, Mr. Jackman, they have practically no additional personnel, and they do receive a contribution of \$31,300. You must anticipate, I think, that it will rise to \$40,000 next year. We went over it item by item and department by department, and it is a saving; there is no question about that.

Mr. JACKMAN: I appreciate that.

Mr. SYMINGTON: And I think both sides try to be fair.

Mr. JACKMAN: You are overlooking the fact that the railways are inclined to charge all the traffic will bear, that is their background.

Mr. SYMINGTON: The T.C.A. will not let them charge what the traffic will bear; if you want to put it that way.

Mr. POULIOT: Can you give us the detail of the work performed by the personnel of the organization?

The CHAIRMAN: Go ahead with the report, Mr. Symington.

Mr. SYMINGTON:

A high percentage of the male personnel of Trans-Canada Air Lines has enlisted in the armed forces, and manpower is one of the serious problems confronting the company. Deferments under the National War Service regulations have been requested only for such employees as are necessary to maintain safe operation.

Classes were conducted for the training of pilots, dispatchers, stewardesses, radio operators, passenger agents and shop workers, in order to retain the present high standard of efficiency under existing conditions.

A joint co-operative committee, with management and employee representation, was formed at the Winnipeg repair base. This committee serves as a medium for employees to discuss working conditions with the management and to place before it suggestions for improving efficiency in plant operations and for increasing production, and is instrumental in establishing educational facilities for employees. It is proposed to establish similar committees at other points.

Hon. Mr. HANSON: Have you a union?

Mr. SYMINGTON: We have a local union. It is not a company union. I might say that the mechanics are members of the A.F. of L.; but that does not include the airmen.

Hon. Mr. HANSON: You recognize the right to join international unions?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: The same as the railways?

Mr. SYMINGTON: Yes.

A contributory pension plan for company employees was instituted. Participation in the plan is optional for employees in service prior to March 1, 1943, but compulsory for employees entering the service after that date. Employees in service prior to adoption of the plan are allowed the option of making retroactive payments to the fund. The plan permits contributions at from 2 per cent to 10 per cent of the employee's salary with the company matching contributions up to 5 per cent. The cost to the company is estimated at between 3 per cent and 3½ per cent of the payroll.

Mr. JACKMAN: Is it taking very well?

Mr. SYMINGTON: Yes, it is.

Mr. JACKMAN: There are no complaints about it having been made compulsory?

Mr. SYMINGTON: No, there have been no complaints about that, the only thing is what we discussed yesterday—the pilots made certain representations with respect to an earlier retiring age for them.

Mr. JACKMAN: What is the average life of a pilot?

Mr. SYMINGTON: I do not know that. In some cases they are flying quite old and some do not last so long; but we take the position with respect to the pilots that their background, training and everything else fit them to be the men who will naturally succeed to some type of ground jobs after it is unwise to fly them.

Hon. Mr. HANSON: That is only fair.

Mr. SYMINGTON: Yes, I think so.

Mr. NICHOLSON: In connection with the third paragraph under personnel, "classes were conducted for the training of pilots, dispatchers, etc."; are these classes held continuously? What would you say about that?

Mr. SYMINGTON: Yes. All of our pilots have to go through refresher courses, link trainers and so on. You have got to give continued attention to detain in an air line—you have got to avoid "familiarity-breeds-contempt," carelessness and so on; and they are almost continuous.

Hon. Mr. HANSON: And there are new gadgets being invented all the time.

Mr. SYMINGTON: Oh yes.

Mr. NICHOLSON: Could you tell us something about the training you give generally to your staff about being gracious with travellers who are grounded and unable to fly on account of weather conditions—it seems to me your staff are very courteous.

Mr. SYMINGTON: We have a class of three weeks on that, a three weeks' training course in meeting the public, and so on and so forth.

Special War Activities

T.C.A. is operating for the Department of Munitions and Supply a new engine and propeller overhaul plant adjacent to the company's main shop at Winnipeg. The plant is working on the overhaul of military aircraft, engines, propellers and accessories, and production will be placed on a three-shift instead of its present two-shift basis as additional personnel is trained.

The instrument shop at Winnipeg is working twenty-four hours a day on the overhaul and repair of instruments for military aircraft. A considerable volume of work was undertaken during the year at Winnipeg for other war plants, and the facilities of the company at various

airports across Canada were extensively used for the servicing of military aircraft.

The co-operation of Trans-Canada Air Lines with British Overseas Airways Corporation in the north Atlantic transport operation was considerably extended during the year. At Montreal airport the maintenance and overhaul work on these overseas air transports is performed by Trans-Canada. Upwards of 200 of Trans-Canada's skilled mechanics are continuously employed at the Montreal airport on this work.

Mr. JACKMAN: Referring back to the 1,662 personnel which you mentioned in the previous paragraph, how many of these might be engaged on work which is extraneous to the operations of the T.C.A. and who are directly employed?

Mr. SYMINGTON: In the neighbourhood of 200.

Hon. Mr. HANSON: Is this on a cost basis, or on a cost plus basis.

Mr. SYMINGTON: It is on a cost basis.

Hon. Mr. HANSON: You make no profit?

Mr. SYMINGTON: Not other than—I mean, I cannot say to the cent; the principle and theory is that it is a cost operation.

Hon. Mr. HANSON: It is a service operation?

Mr. SYMINGTON: Yes.

Mr. HARRIS: With respect to the co-operation of Trans-Canada Air Lines, etc., would you care to enlarge upon that?

Mr. SYMINGTON: The next sentence, I think, answers that.

Mr. HARRIS: Is that the co-operation you give.

Mr. SYMINGTON: Is that not co-operation?

Mr. HARRIS: Yes.

Mr. SYMINGTON: We have three crews flying the ocean. I talk to them and they talk to me. We do their medical services. We are in continuous and constant communication. We look after all their ground work, radio coverage and so on.

Mr. JACKMAN: I see you say there are 200 men engaged on that; and in the previous paragraph you talk about men in Winnipeg; is that another 200 men on extraneous work?

Mr. SYMINGTON: That is another 200.

Mr. JACKMAN: Is that a total of 400 out of the 1,662?

Mr. SYMINGTON: Yes, sir.

Mr. JACKMAN: Are there any others out of that 1,662 who are not engaged full time on T.C.A. work—any substantial number?

Mr. SYMINGTON: Well, there is no substantial number. We are flying back and forth for air transport, for the R.C.A.F., to these armed bases and that takes two crews to run that.

Mr. JACKMAN: What type of plane are you servicing for these people?

Mr. SYMINGTON: They are using the Liberator planes, big four-engined planes. They fly across—they take diplomatic mail and bring back the pilots who fly over the bombers.

Hon. Mr. HANSON: That is the Dorval operation?

Mr. SYMINGTON: Yes, that is the Dorval operation.

Three flight crews, each consisting of a captain, first officer, flight engineer, radio operator and navigator, were assigned to supplement the flight crews of British Overseas Airways Corporation, the navigators being seconded from the R.C.A.F. for duty with the company. Supervisory personnel of the company also participated in this trans-oceanic operation.

Mr. HARRIS: Have these flight crews training in gliders?

Mr. SYMINGTON: No, I do not think there have been any gliders for them. I have not seen any. I would not know.

Radio coverage, dispatch and station service were furnished for the operations of the R.C.A.F. communications squadron. The company's engineering and a flight staffs assisted the National Research Council and the R.C.A.F. in studies relating to icing conditions.

Outlook for 1943

Further increases in passenger, express and mail traffic are anticipated in 1943. There will also be development in the field of special war activities engaged in by the company.

Hon. Mr. HANSON: What do you refer to there, or are you at liberty to say? I do not want to know if it is any state secret.

Mr. SYMINGTON: These two new shops that are now in at Winnipeg will get into full production, and they are continually from day to day calling on us for more assistance or service.

Mr. POULIOT: Does this include post-war air planning?

Mr. SYMINGTON: Does which include what, Mr. Pouliot?

Mr. POULIOT: Post-war air planning.

The CHAIRMAN: Does this include a post-war air plan?

Mr. SYMINGTON: What is "this"?

Mr. POULIOT: The outlook for 1943.

Mr. SYMINGTON: No, I should not think it did.

Hon. Mr. HANSON: This does not mean very much. It is just a pious wish.

Mr. SYMINGTON: It is simply this, Mr. Hanson, that during the years as they go by we find we have always had to increase our service to the military establishments, quite properly, and needless to say we desire it. It is growing each year.

Hon. Mr. HANSON: You have not anything special in mind?

Mr. SYMINGTON: Nothing special in sight, no.

Mr. NICHOLSON: You mentioned earlier in your report you had reduced the "no show" business. What specifically have you done? What possibilities are there of improving it?

Mr. SYMINGTON: We have formed a central control that follows up through every booking, every ticket office in the system. "Have you contacted passenger No. so and so; are you sure he is going; is there any likelihood he will not be going," and so on and so forth? Then too, the passenger must now take up and pay for his ticket at least three hours before plane time, not keep the reservation.

Hon. Mr. HANSON: They told me down at the Chateau I had to take up and pay for the reservation when the reservation was confirmed.

Mr. SYMINGTON: I think they must have something in for you, Mr. Hanson.

Hon. Mr. HANSON: Well, maybe they have; I do not know.

Mr. NICHOLSON: What is the picture for last year as compared to the previous year? Have you anything to show that?

Mr. SYMINGTON: Yes, we have. I do not know that I have got it here. Each month we show the position of every office as to what they have done with respect to "no show" passengers. We have graded them one, two, and three, right over the whole system, and what they were the month before, and if they are falling back they are jacked up. Very close tab is kept on it, and they are kept up to the mark with respect to keeping down "no show" passengers. If the

"no shows" go up we think there is something wrong with the office where it occurred, generally speaking.

Mr. NICHOLSON: Have you figures showing the percentage of air space that was used last year as compared to the previous year?

Mr. SYMINGTON: Less than 1 per cent of the total this year.

Mr. NICHOLSON: What is the figure for a year ago?

Mr. SYMINGTON: Last year about 3 per cent, and before that, very bad.

Hon. Mr. HANSON: People are alive to the fact if they do not go they do not get accommodation.

Mr. JACKMAN: Have you opened up any new passenger booking offices during the year, Mr. Symington?

Mr. SYMINGTON: St. John's, Newfoundland, was opened. Offices at London, Ont., Seattle, Wash., and the district traffic office, Toronto, were closed.

Mr. JACKMAN: One opened and three closed?

Mr. SYMINGTON: Yes.

Mr. JACKMAN: How many of your booking offices are run conjointly with the C.N.R.?

Mr. SYMINGTON: Every C.N.R. ticket office sells Trans-Canada, but in St. John's, Halifax, Montreal, Ottawa, Toronto, New York, Windsor, Winnipeg, Calgary, Edmonton, Vancouver and Victoria, we have offices of our own.

Mr. JACKMAN: You have your own?

Mr. SYMINGTON: Yes.

Mr. JACKMAN: What is the arrangement made with the C.N.R. offices? Do you pay them a commission on what they sell?

Mr. SYMINGTON: We pay them a small commission on what they sell.

Mr. JACKMAN: Is it a comparable commission to what would be charged by a railway in the United States that was booking for an airline there? Is it 10 or 15 per cent, or what?

Mr. SYMINGTON: It is 5 per cent, which is about what the airlines pays us, or we pay them.

Mr. JACKMAN: It is a strictly competitive rate?

Mr. SYMINGTON: A strictly competitive rate.

Mr. JACKMAN: It is not part of the \$33,000 at all?

Mr. SYMINGTON: No.

Hon. Mr. HANSON: Mr. Symington, having come to the end of your presidential report I would like to call your attention to the fact that the most populous part of the province of New Brunswick is in no way served by your line, and I wonder what you are trying to do in connection with that. The city of Saint John—I do not like to use any derogatory term, but the little airway there is unsatisfactory, to say the least. People there are very much dissatisfied. The city of Fredericton is within ten miles, or twenty miles at the outside, of the beam and gets no service. We are almost on the direct line between Montreal and Moncton but we have been overlooked.

Mr. SYMINGTON: Personally I would like to go into Saint John. As you know the airport there, such as it was, could not possibly handle our planes.

Hon. Mr. HANSON: I quite agree.

Mr. SYMINGTON: It is quite hopeless, and that was the situation when the war came on. We built at Blissfield, as you know, but that does not meet the situation.

Hon. Mr. HANSON: No, I am afraid it is too far away.

Mr. SYMINGTON: So far as Trans-Canada is concerned it would like very much to go into Saint John but it cannot go in until the facilities are provided

for it to go. That is sure. Then there are considerations before we can go any place. Under the Trans-Canada Act the postmaster-general and the Minister of Transport must make a recommendation to council that we do it. Council must pass it and declare this a point on the Trans-Canada and then automatically under the Act we are in.

Hon. Mr. HANSON: I have always understood that the Post Office Department were well disposed, let me put it that way.

Hon. Mr. HOWE: The whole difficulty is the airport.

Hon. Mr. HANSON: I think there is something in that but Mr. Howe, have you ever considered having the airport within 10 miles of the city?

Hon. Mr. HOWE: We have searched everywhere for 20 miles and have not found a suitable site. It is very, very difficult country. If we can get a suitable airport within 20 miles of Saint John I assure you we will go in.

Hon. Mr. HANSON: That is a fair statement. I think that is a very fair statement. I quite agree that without very great expense you could not utilize the present airport for ships of your size, but you do make the definite statement that if they can find a location within 20 miles the proposition will be reviewed and, if possible, put into effect.

Hon. Mr. HOWE: Of course, in making that I may say we have very small appropriations for civil air.

Hon. Mr. HANSON: Do not go away from me.

Hon. Mr. HOWE: I am just saying that.

Hon. Mr. HANSON: I was very much encouraged by your statement. I do not want you to retract now at all.

Hon. Mr. HOWE: I am just saying when we can get civil appropriations, which we do not get now, to develop the field.

Hon. Mr. HANSON: There seems to be no trouble about money at all. I am told by these brain-trusters down in the east block and over in the Bank of Canada that money is the least of their troubles. They are going to provide everything in the way of finance after the war.

Hon. Mr. HOWE: It is different with the department that looks after civil aviation.

Hon. Mr. HANSON: I think they will find it different, too, but that is what they tell me. Then, with regard to the situation at Fredericton we can get an airport within 2 or 3 miles.

Hon. Mr. HOWE: That, of course, is a different operation. It is off the beam.

Hon. Mr. HANSON: It is not very far off the beam. You go right over Fredericton Junction, less than 20 miles away.

Hon. Mr. HOWE: The whole situation of serving off the beam locations has got to be studied after the war. All I can say is we will have to review that very carefully.

Hon. Mr. HANSON: You will not commit yourself there.

Hon. Mr. HOWE: You cannot very well do both Saint John and Fredericton. If we can do Saint John or Fredericton that will be about all.

Mr. HARRIS: Yes, pursue either one of them, Mr. Chairman.

Hon. Mr. HANSON: We have been by-passed all our lives. I suppose we will have to continue.

The CHAIRMAN: What does the committee wish to do with the balance of this report?

Mr. POULIOT: I would like to say now that the service between Montreal and Quebec is appreciated, and following the remarks made by Mr. Hanson I wonder if it would not be possible to continue the service to Rivière du Loup. The Chairman is familiar with the place. He spends the summer there, and

thinks it is the best place to spend the summer. There are also many other reasons, and I hope that T.C.A. will consider it seriously. Would you do so, Mr. President?

Mr. SYMINGTON: Will I do so, Mr. Pouliot? You know me.

Mr. POULIOT: I know you.

Mr. EMMERSON: There is a question bearing on this; with regard to the different airports that Trans-Canada uses, do you keep a monthly or yearly record of the days at each port where flying conditions are such that the planes are grounded, and when they are available, and do you tabulate the various ports?

Mr. SYMINGTON: Absolutely, I get a report every morning which deals with every port, every trip, whether it is routine, whether it is 5 minutes late, or whether it is 1 hour late, meteorological reports and operation reports, every day on every airport.

Mr. EMMERSON: Is there a report that can be available to the committee of the number of days out of the year that the planes at each port are not able to fly or to land or take off, or they are not usable by T.C.A.?

Mr. SYMINGTON: The meteorological department of the government in Toronto have it. It would be quite some work, I imagine, for us to collect the information. We get it, of course, each day, but the meteorological department in Toronto have the condition at every airport every day.

Mr. EMMERSON: But you keep no records of the ports you use?

Mr. SYMINGTON: Oh, yes.

Mr. EMMERSON: You keep reports for the year showing how many days you are not able to fly?

Mr. SYMINGTON: Well, for us, as I say, it might be some little trouble putting them together, but what happens on every flight every day is shown, on every flight every day, "could not go into Armstrong," or "by-passed Armstrong and landed at so and so," that is all recorded every day, of course.

Mr. EMMERSON: Where is that report obtainable to show the usability of each airport, if I may put it that way?

Mr. SYMINGTON: From a weather standpoint.

Mr. LARSON: The meteorological bureau at Toronto.

Mr. JACKMAN: Since the inception of commercial air transportation has it been necessary for any line that wanted to fly particular routes to get permission from the Board of Transport Commissioners?

Mr. SYMINGTON: I think so, yes.

Mr. JACKMAN: They decide the same as they do in the case of the railways who shall service a particular route and whether a competing line shall be allowed?

Mr. SYMINGTON: I think they have been, yes, I think so.

Hon. Mr. HANSON: You are always notified and heard?

Mr. SYMINGTON: I do not know that we have always been notified and heard.

Hon. Mr. HANSON: I think you should be.

Mr. SYMINGTON: Certainly, of course, we notify other people, and I presume we are notified. I do not know, Mr. Hanson. At any rate, these things come before the board, and I presume they look at it and say, "So and so shall be given notice."

Mr. JACKMAN: Would you think that the board might be improved if they had someone on it who knew the technical position of flying rather than simply the old railway men?

Mr. SYMINGTON: Of course, the departments handle all their safety factors, and that sort of thing. I would not like to give an opinion on that.

Hon. Mr. HANSON: Have they technical advisors on air transportation?

Mr. SYMINGTON: That I do not know. I have never been before them.

Mr. POULIOT: Are there regulations governing the operation of your system besides the Act?

Mr. SYMINGTON: Yes.

Mr. POULIOT: Were the members of the committee ever given those regulations?

Mr. SYMINGTON: Regulations are passed by the departments, or by the Board of Transport Commissioners.

Mr. POULIOT: Yes, but I wonder if the Board of Directors of the T.C.A. pass regulations that are in their jurisdiction within the Act and within the rulings of the Transport Board? They have regulations as all other corporations have.

Mr. SYMINGTON: We have got by-laws of the corporation, certainly.

Mr. POULIOT: Yes. Would they be available to the members of the committee?

Mr. SYMINGTON: Personally, I am quite sure I have no objection to making them available.

Mr. POULIOT: It is a part of the management, and it would help the members in their work to have everything that is considered as law for the T.C.A.

Mr. SYMINGTON: I am sure so far as I personally am concerned there is no reason why the by-laws of Trans-Canada should not be given to this committee.

Mr. POULIOT: Especially concerning the issuance of passes and all that; there must be by-laws?

Mr. SYMINGTON: No, sir, not even a member of parliament, Mr. Pouliot.

Mr. POULIOT: We know that very well, but I wondered if there were some passes issued to a certain number of people.

The CHAIRMAN: That was dealt with this morning.

Mr. POULIOT: Yes, pardon me. Would you have any objection to letting us have the by-laws governing the T.C.A.?

Mr. SYMINGTON: I do not think there is the slightest objection.

Hon. Mr. HANSON: Mr. Symington, looking over the financial report I do not see any item set up for the question of taxes. Does this company pay any taxes of any character?

Mr. POULIOT: The property belongs to the government, and when the airplanes are on the ground they are movable.

Hon. Mr. HANSON: Pardon me, Mr. Pouliot, I was directing my question to Mr. Symington.

Mr. SYMINGTON: I can give you a list of what we pay in the line of taxes. We pay very little, of course, because we are an emanation of the Crown and the Crown owns all the fields which we use. Unemployment Insurance Act, Canada, \$13,264; Unemployment and Compensation Act, New York, \$586.35; Unemployment Insurance Compensation Act, Washington, \$26.20; Federal Insurance Contribution Act, United States, \$382.50; Federal Unemployment Tax Act, United States, \$68.06; municipal taxes, \$10,857.52.

Hon. Mr. HANSON: Where is that, in Canada?

Mr. SYMINGTON: Winnipeg, Montreal, Seattle, New York City.

Hon. Mr. HANSON: That is all fixed assets?

Mr. SYMINGTON: That is all fixed assets; business taxes, \$2,252.

Hon. Mr. HANSON: Whereabouts?

Mr. SYMINGTON: Edmonton, Regina, Winnipeg, Windsor, London, Montreal.

Hon. Mr. HANSON: That is a municipal tax, too?

Mr. SYMINGTON: That is right, yes; excise stamps for cheques; aircraft engine certificates; aircraft radio licences; aircraft registrations; applications for licences to operate scheduled service; bond to cover entry of aircraft into New York state; corporation tax, province of Quebec; province of Saskatchewan, education tax; ground radio licences; increase over 1941 Unemployment Insurance of Canada, \$7,998.71, and reversal of accrual in 1941 of \$20,000, a total of \$34,590.

Hon. Mr. HANSON: How much?

Mr. SYMINGTON: \$34,590.

Hon. Mr. HANSON: That is your tax bill?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: That is very small, is it not?

Mr. SYMINGTON: Yes.

Mr. JACKMAN: There was reference in the president's remarks to some treaties, one between Newfoundland and this country in regard to landing, and also reference to arrangements—I suppose they are made under treaty or in some written form—between our country and the United States. Would it be too much trouble to incorporate as a supplementary appendix to our hearing the relevant paragraphs in these treaties or arrangements which have to do with aerial transportation and the landing of foreign craft on our soil and the landing of our craft on foreign soil? There is very great interest, not only on the part of members, but on the part of the public, in international flying.

Hon. Mr. HOWE: I think that has been tabled in the House.

Mr. SYMINGTON: The Department of External Affairs would have that.

Mr. JACKMAN: As to the aerial treaty with Newfoundland it may be accessible—I will not say readily accessible—but I think interest is so general that they might well be incorporated in our own minutes. What about the understandings with the United States? You did not say they were treaties.

Hon. Mr. HOWE: There are no understandings except an exchange of notes.

Mr. JACKMAN: On page 5, paragraph 7.

An understanding has been reached between the governments of Canada and the United States to maintain the existing agreement respecting international air services until after the close of the war...

Hon. Mr. HOWE: That was tabled only a few days ago, an exchange of notes.

Mr. JACKMAN: I have no doubt that we can get them but one has to go to considerable trouble, and in view of the interest I would suggest that they be incorporated as an appendix, putting in only the relevant parts of them if they are very long and deal with other matters that we are not concerned with, but people are alarmed at the extension which some of the United States airlines have made in western Canada. In fact, it was stated by one of these flying men—of course, quite unofficially—that they were here to stay. I think we must know exactly what their position is.

Hon. Mr. HOWE: They have no permanent rights. They are allowed to fly for the military and naval service of the United States government. They are not allowed to carry revenue passengers or revenue freight.

Hon. Mr. HANSON: It is apparently understood that they end within a reasonable time after the war?

Hon. Mr. HOWE: The only permits that have been given have been given to the United States Army or Navy, not to any private firm.

Hon. Mr. HANSON: In some of these cases after years of user they begin to claim vested rights.

Hon. Mr. HOWE: We are watching that. We do not like certain situations.

Hon. Mr. HANSON: You have to give way on account of the war.

Hon. Mr. HOWE: Yes, but the only permits that have been granted are permits to the United States army or navy.

Hon. Mr. HANSON: And it is proposed to strictly limit that.

Hon. Mr. HOWE: Yes, limited to the duration of the war.

The CHAIRMAN: I would like to suggest that if there is any information you particularly wish the only way you can definitely secure it is by a motion through the committee.

Mr. JACKMAN: I will move that the relevant parts of all treaties and understandings with the British Empire or foreign countries be incorporated as an appendix to this report.

Hon. Mr. HANSON: I will second that.

Mr. SYMINGTON: We have no agreement. You will have to ask the department for that.

Hon. Mr. HANSON: Would the department undertake to provide that? It seems reasonable.

Hon. Mr. HOWE: That is a matter for the Department of External Affairs. I cannot think that there would be any objection to it.

Hon. Mr. HANSON: Will you suggest it?

Hon. Mr. HOWE: Yes.

The CHAIRMAN: There is a motion before you. I did not quite follow the motion, but I will ask Mr. Jackman to state his motion again and then we will vote on it.

Mr. JACKMAN: I move that the relevant parts of all treaties between Canada and the British Empire or foreign countries having to do with air transportation be incorporated as part of this report.

Hon. Mr. MICHAUD: In the minutes of this meeting.

The CHAIRMAN: The motion has been moved by Mr. Jackman, and seconded by the Hon. Mr. Hanson. All those in favour?

Motion agreed to.

The CHAIRMAN: What do you wish to do with the balance of this report? Are you finished with it?

Hon. Mr. HANSON: You have got the whole balance sheet.

Mr. SYMINGTON: The other is just added for information.

Mr. POULIOT: Before we do that I would like to put a motion that all by-laws of T.C.A. be published as an appendix to the report of the committee.

The CHAIRMAN: Who is your seconder, Mr. Pouliot?

Mr. HARRIS: I will second that.

The CHAIRMAN: It has been moved by Mr. Pouliot, seconded by Mr. Harris, that the president of Trans-Canada Airlines be asked to append a copy of the by-laws of the Trans-Canada Airways organization to the report.

Hon. Mr. HANSON: There are by-laws and by-laws. Does he mean the general by-laws?

Mr. SYMINGTON: I cannot remember what they are, Mr. Hanson, but it will be very general.

The CHAIRMAN: All those in favour of this motion?

Motion agreed to.

The CHAIRMAN: Will we proceed with the reading of the balance sheet or just interrogate the witness from time to time?

Mr. HARRIS: Just before you call it 1 o'clock, could we have a breakdown of this income account, particularly operating expenses, operation and maintenance? They are all in one item. That does not give us much information.

Hon. Mr. HANSON: It seems to me at this point that ought to be printed as a breakdown for us so that we can study them before we come to our next meeting. Would it be possible to have those breakdowns put on paper and submitted to the committee, say to-morrow morning, or whenever we meet?

Mr. SYMINGTON: That, of course, all depends on the detail that you want.

Hon. Mr. HANSON: It is a big sum of money. Of course the real meat of this income account is in the breakdown.

Mr. JACKMAN: Perhaps United Airlines would be some guide as to what we want.

Mr. SYMINGTON: I have it and there is nothing like as much in it as there is in ours now, but I have no objection to adding, if it meets the committee's wish, a breakdown of operating expenses, but there are breakdowns and breakdowns, some going to the last detail. Naturally there may be things that you do not want.

Mr. HARRIS: The ordinary breakdown one finds in an industrial balance sheet; there is certainly nothing comprehensive about this particular account.

Hon. Mr. HANSON: I think the accountants would know exactly what was meant by that.

Mr. HARRIS: Operations separated from maintenance, plant repairs, and so on.

The CHAIRMAN: Gentlemen, it is 1 o'clock. I assume we will meet to-morrow at 11.

Mr. HARRIS: Can we have this breakdown before we meet?

Mr. LOCKHART: Can it be arranged so that this committee will not conflict with the Committee on Social Security? They are both meeting at the same hour.

The CHAIRMAN: Social Security is only meeting one day a week at present and they are having a meeting to-day so there will be no conflict.

Mr. HANSON (*Skeena*): Are you going to ask concurrence in the presentation of yesterday's report to sit?

The CHAIRMAN: Not to-day because we were headed off yesterday. There is no use going back to-day. We will ask concurrence to-morrow. The meeting is adjourned until to-morrow at 11 o'clock.

The committee adjourned at 1 o'clock p.m. to meet again on Wednesday, March 31, 1943, at 11 o'clock a.m.

APPENDIX "A"

Pertinent Extracts from Exchanges of Notes, Etc., Regarding International Aviation Arrangements Filed by Department of Transport

UNITED STATES

*ARRANGEMENT BETWEEN CANADA AND THE
UNITED STATES OF AMERICA
RELATING TO AIR NAVIGATION*

(Effective August 1, 1938)

ARTICLE III

(a) Each of the Parties to the present arrangement shall grant, in time of peace, liberty of passage above its territory to aircraft of the other Party duly registered in the territory of such other Party, provided that the conditions set forth in the present arrangement are observed.

(b) It is, however, agreed that the establishment, and operation by an enterprise of one of the Parties of a regular air route or service to, over or away from the territory of the other Party, with or without a stop, shall be subject to the consent of such other Party.

(c) Any air transport enterprise of either Party applying for permission to operate such a route or service shall be required to submit its application through diplomatic channels.

ARTICLE IV

(a) The aircraft of each of the Parties, passengers and goods carried thereon and personnel employed on the aircraft shall, while within or over the territory of the other Party, be subject to the laws in force in that territory, including all regulations relating to air traffic applicable to foreign aircraft, the transport of passengers and goods, and public safety and order, as well as any regulations concerning entry and clearance, immigration, passports, quarantine and customs.

(b) Subject to the provisions of the preceding paragraph and to the laws and regulations therein specified the carriage of passengers and the import or export of any goods which may lawfully be imported or exported will be permitted in aircraft of either Party into or out of territory of the other Party; and (subject to the same proviso) such aircraft passengers and goods carried thereon and personnel employed on the aircraft shall enjoy in the territory mentioned the same privileges as aircraft of such other Party and shall not, merely by reason of the nationality of the aircraft, be subjected to any other or higher duties or charges than those which are or may be imposed on aircraft of the territory referred to or the aircraft of the most favoured country, engaged in international commerce, or on their passengers, goods and personnel.

ARTICLE VI

The fuel and lubricating oils retained on board aircraft of either Party arriving in or leaving territory of the other Party shall be exempt from customs duty, even though the fuel and lubricating oils so retained are used by the aircraft on a flight in that territory.

ARTICLE VII

Aerodromes open to public air traffic in territory of either Party shall, so far as they are under its control, be open to aircraft of the other Party, which (subject to the same proviso) will also be entitled to the assistance of the meteorological, radio, lighting and day and night signalling services at such aerodromes. Subject again to the same proviso, the scale of charges at such aerodromes for landing and accommodation shall be the same for aircraft of each of the Parties.

ARTICLE VIII

(a) The term "air commerce" as used in the succeeding paragraph of this article means:—Navigation of aircraft in territory of either Party in the conduct or furtherance of a business; and the commercial transport of passengers or goods between any two points in the territory of either Party.

(b) Air commerce may, in the territory of either Party, be reserved exclusively to its own aircraft, with the reservation of the stipulations contained in Article III concerning regular air routes or services for which special consent is necessary, the aircraft of either Party may, nevertheless, proceed from any aerodrome open to public air traffic in territory of the other Party to any other such aerodrome for the purpose of taking on board or landing the whole or part of their goods or passengers, provided that such goods are covered by through bills of lading and such passengers hold through tickets, issued respectively for a journey the starting place and end of which are not both points between which air commerce has been reserved; and such aircraft while so proceeding from one aerodrome to another shall, notwithstanding that both such aerodromes are points between which air commerce has been reserved, be entitled to the treatment set out in this arrangement.

ARTICLE X

(a) All aircraft of either Party flying in or over the territory of the other Party must carry clear and visible nationality and registration marks whereby they may be recognized during flight.

(b) Such aircraft must also be provided with certificates of registration and airworthiness and with all the other documents prescribed for air traffic in the territory in which they are registered.

(c) The persons employed on such aircraft who perform duties for which a certificate of competency or licence is required in the territory in which the aircraft is registered, must carry such documents as are prescribed by the regulations in force in that territory.

(d) The other persons employed on board must carry documents showing their duties in the aircraft, their profession, identity and nationality.

(e) Each of the Parties reserves the right to require lists of the passengers and persons employed on board as well as a manifest of the goods carried on the aircraft.

(f) The certificate of airworthiness, certificates of competency or licences issued or rendered valid by the competent authorities of either country in respect of its aircraft or of the crew of such aircraft shall be recognized as having the same validity in the territory of the other country as the corresponding documents issued or rendered valid by the competent authorities of such other country; provided that with respect to certificates of competency or licences issued or rendered valid by either country in favour of nationals of the other country, such recognition may be refused by the latter country.

ARTICLE XIV

(a) Aircraft of either Party entering or leaving territory of the other Party shall make a first landing at and depart from only an aerodrome open to public air traffic and designated as an airport of entry where facilities exist for the enforcement of customs, passport, quarantine and immigration regulations and the entry and clearance of aircraft; and no intermediate landing other than a forced landing may be effected before arriving at such an airport on entry into the territory concerned or after leaving such an airport on departure from that territory. In special cases, and subject to the same provisions as to intermediate landing, the competent authorities may allow a first landing at or a departure from another aerodrome where the above-mentioned facilities have been arranged.

(b) Each of the Parties reserves the right to require that aircraft entering its territory shall make its first landing at the airport of entry nearest to the point where the aircraft has crossed the frontier, with the understanding, however, that in this event, permission may be granted for the aircraft to make its first landing at an airport of entry other than the one nearest to the frontier.

(d) Lists of aerodromes in territory of either Party which are designated as airports of entry for the purposes of this article will be communicated as soon as possible to the other Party. Any subsequent alteration in these lists will also be communicated to such other Party.

ARTICLE XVII

(a) The present arrangement or any part thereof may be terminated by either Government at any time upon sixty days' notice given in writing to the other Government.

(b) On the date that the present arrangement becomes effective, the reciprocal arrangement between the United States of America and Canada for the admission of civil aircraft, the issuance by each country of pilots' licences to nationals of the other country and the reciprocal acceptance of certificates of airworthiness for aircraft imported as merchandise, entered into by an exchange of notes dated August 29, 1929 and October 22, 1929, will be supplanted with the exception of the provisions of the latter arrangement which set forth the conditions governing the issuance of pilots' licences and the acceptance of certificates of airworthiness for aircraft imported as merchandise.

*Arrangement Between Canada and the United States of America
Relating to Air Transport Services.*

(Effective August 18, 1939)

ARTICLE I

Having in mind the desirability of mutually stimulating and promoting the sound economic development of air transportation between the United States and Canada, the Parties to this Arrangement agree that the establishment and development of air transport services between their respective territories by air carrier enterprises holding proper authorizations from their respective Governments, shall be governed by the following provisions.

ARTICLE II

The present Arrangement shall apply to continental United States of America, including Alaska, and to Canada, including their territorial waters.

The privileges accorded by this Arrangement shall be available only to air carrier enterprises bona fide owned and controlled by nationals of the respective parties.

ARTICLE III

Each of the Parties agrees, subject to compliance with its laws and regulations, to grant to air carrier enterprises of the other Party permits for non-stop services through the air space over its territory between two points within the territory of the other Party; provided, however, that inland non-stop services between the United States and Alaska shall be the subject of a separate understanding.

Each Party further agrees, subject to compliance with its laws and regulations and on a basis of reciprocity, to grant operating rights to the air carrier enterprises of the other Party for the operation of international services between a place in the territory of one Party and a place in the territory of the other Party.

The details of the application of the principle of reciprocity contained herein shall be the subject of amicable adjustment between the competent aeronautical authorities of the Parties to this Arrangement.

ARTICLE IV

Any air carrier enterprise of either Party applying for permission to operate in territory of the other Party shall be required to transmit its application through diplomatic channels in accordance with Article III (c) of the Air Navigation Arrangement effected by an exchange of notes between the two Parties, signed on July 28, 1938.

The air carrier enterprises of each Party will be required to qualify before the competent aeronautical authorities of the other Party under the latter's applicable laws and regulations before being permitted to engage in the operations contemplated by this Arrangement, and upon so qualifying will be issued permits or licences by such authorities accordingly.

ARTICLE V

The terms of the permits referred to in Article IV, the airports to be used by the respective services, the routes or airways to be flown within the respective territories of the Parties between the designated airports, and other appropriate details of the conduct of the air transport services contemplated by this Arrangement, shall be determined by the competent aeronautical authorities of the Parties. Any permit issued by the competent aeronautical authorities for the air transport services contemplated hereunder shall be valid only so long as the holder thereof shall be authorized by its own Government to engage in the service envisaged by such permit. The holding of such permit shall be subject to compliance by the holder with all applicable laws of the issuing Government and with all valid rules, regulations and orders issued thereunder. Such permit may not be revoked for any cause other than non-compliance with such laws, rules, regulations or orders or for such reasons as the public interest may require.

ARTICLE VI

Each of the Parties hereto agrees not to impose, and to use its best efforts to prevent the imposition of, any restrictions or limitations as to airports, airways or connections with other transportation services and facilities in general to be utilized within its territory which might be competitively or otherwise disadvantageous to the air carrier enterprises of the other Party.

ARTICLE VII

The aircraft operated by United States air carrier enterprises shall conform at all times with the airworthiness requirements prescribed by the competent

aeronautical authorities of the United States for aircraft employed in air transportation of the character contemplated by this Arrangement.

The aircraft operated by Canadian air carrier enterprises shall conform at all times with the airworthiness requirements prescribed by the competent aeronautical authorities of Canada for aircraft employed in air transportation of the character contemplated by this Arrangement.

The competent aeronautical authorities of the Parties hereto may communicate with a view to bringing about uniformity of safety standards for the operations contemplated by this Arrangement and compliance therewith, and whenever the need therefor appears the Parties may enter into an agreement prescribing such uniform safety standards.

ARTICLE VIII

The matter of the transportation of mail shall be subject to agreement between the competent authorities of both Parties.

ARTICLE IX

The operations contemplated hereunder shall be conducted subject to the applicable terms of the Air Navigation Arrangement effected by an exchange of notes between the two Parties signed on July 28, 1938.

ARTICLE X

This Arrangement shall remain in force for a period of two years and thereafter until terminated on six months' notice given by either Government to the other Government.

*Arrangements for Giving Effect to Article III of the Air Transport Arrangement
Between the Two Governments, Entered Into on August 18, 1939*

(Effective December 3, 1940.)

EXISTING SERVICES:—

International air transport services actually in operation between the two countries, for which certificates and permits have been issued by the respective Governments, to be confirmed. Services with respect to which applications for formal certificates or permits are now pending other than those services specifically listed below, shall be subject to disposition at the sole discretion of the appropriate agency of the Government before which such applications are pending.

WITH RESPECT TO NEW SERVICES:—

Each Government to take the appropriate steps to permit the operation by air carrier enterprises of the other, holding proper authorization from their own Governments, respectively, during the period ending December 31st, 1942, in accordance with the following specification of the routes and of the nationalities of the air carriers by which service over each route will be operated between:

Bangor, Maine—Moncton, New Brunswick	United States
New York, New York—Toronto, Ontario	Canada
Buffalo, New York—Toronto, Ontario	United States
Windsor, Ontario—Any point or points in the United States	United States
Detroit, Michigan—Any point or points in Canada	Canada
Great Falls, Montana—Lethbridge, Alberta	United States

The Canadian Government to co-operate in, or to permit or undertake the establishment on behalf of a United States air carrier, subject to Canadian law, of the necessary aids to air navigation, along the coast of British Columbia.

Further decisions with respect to routes and services to Alaska to be reserved for future consideration.

NEWFOUNDLAND

Pertinent Extracts from Exchange of Notes Between Canada and the Newfoundland Commission of Government Authorizing Trans-Canada Air Lines to Fly Into Newfoundland, Effective April 1, 1942

Paragraph 1. Permit shall be from April 1st, 1942, renewable from year to year thereafter.

Paragraph 2. Six months' notice of cancellation may be given by either Newfoundland Government or Trans-Canada Air Lines.

Paragraph 3. Granting of this permit will not affect inter Government agreement covering operation of Trans-Atlantic Air Service.

Paragraph 4. Newfoundland Government undertake not to grant a permit for commercial flying between Newfoundland and North American continent which may compete with traffic of Trans-Canada Air Lines under this permit without prior consultation with Canada.

Paragraph 5. Trans-Canada Air Lines shall provide a service comparable to that given on Trans-Canada Air Line Service in Canada.

Paragraph 6. Initial frequency shall be one round trip daily six days a week, weather permitting, but this frequency of schedule may be increased without further permit.

Paragraph 7. Rates and regulations for carriage of passengers and express shall be comparable to those prevailing from time to time on Trans-Canada Air Lines in Canada.

Paragraph 8. Conditions governing carriage of mail by air on service shall be agreed on by postal authorities of Canada and Newfoundland from time to time.

Paragraph 9. Trans-Canada Air Lines operations shall be conducted in accordance with air regulations for Canada and air customs and Immigration regulations prevailing from time to time.

Paragraph 10. Government of Newfoundland shall exempt from custom duty and tax, all aircraft, engines, parts and accessories, radios, motor tank trucks, materials for original construction and equipment for hangars and buildings at aerodromes, and all other equipment necessary for establishment and operation of services which may be imported by Trans-Canada Air Lines or by the Government of Canada. Provided that this exemption from duty shall not apply to vehicles or equipment of any class used on public high roads other than motor tank trucks nor to other articles or materials not specified above e.g. office supplies and equipment, consumable stores, wearing apparel of all kinds, foodstuffs imported by or from Company or to be used in any hostel or by its employees or passengers.

Paragraph 11. Government of Newfoundland shall permit entry, free of duty and tax, of special aviation fuel and petroleum products necessary for operation of aircraft on services.

Ends.

Pertinent Extracts from 1935 Trans-Atlantic Agreement

"Having met in conference in Ottawa to consider questions connected with the institution of Transatlantic Air Services for the carrying of mails and eventually passengers and freight, we, the representatives of the United King-

dom, Canada, the Irish Free State and Newfoundland, record the following conclusions unanimously reached by the conference which, subject to the final consideration and approval of our respective governments, it is agreed should form the basis of any arrangement entered into.

PART I

Development Program

1. The government will co-operate in a program of development of a transatlantic air service. All practicable preference will be given to the direct route, including the Irish Free State and Montreal, but this understanding is not to be taken as preventing the use of alternative routes for purposes of development.

Two stages of development are contemplated:

(a) An initial stage, during which survey and experimental flights will be made and other investigations carried out, followed by services which may be seasonal and irregular, this stage being hereinafter referred to as "the experimental stage"; and

(b) the establishment of a regular service, this stage being hereinafter referred to as "the regular flying stage". This stage will commence as soon as a minimum of three months' continuous flying on a schedule of two services a week is practicable.

18. Each government will arrange for the provision, within its own territory, of the airports and the radio and meteorological services and other aids to air navigation, which may be necessary for the transatlantic air service during the experimental stage and thereafter. It is understood, however, that the Government of Canada will provide for the radio and meteorological services within Newfoundland, upon a basis to be agreed between the Governments of Canada and Newfoundland.

NOTE: Due to the intervention of the war the experimental stage, mentioned in paragraph one, was never completed. Canada's obligations for Radio and Meteorological development in Newfoundland, as given in paragraph 18, have been carried out.

Pertinent Extracts from Exchange of Notes Tabled in the House by the Prime Minister on February 22, 1943, Renewing the 1940 Supplementary Air Transport Agreement.

"The 1940 agreement... supplements the 1939 agreement. The 1939 agreement is now terminable on six months' notice. The terms of the new Exchange of Notes, the 1940 Agreement is also terminable on six months' notice and expires without notice at the end of the war.

APPENDIX " B "

BY-LAWS OF TRANS-CANADA AIR LINES

BY-LAW NUMBER 1

A By-Law relating generally to the transaction of the business and affairs of Trans-Canada Air Lines (herein called "the Corporation").

BE IT ENACTED by the Directors of the Corporation as a by-law as follows:—

CHARTER

1. The powers and authorities of the Corporation shall be as set out in Chapter 43 of the Statutes of Canada, 1937, as amended from time to time, and as set out in other Statutes or authorities from time to time in force and applicable to the Corporation.

HEAD OFFICE

2. The head office of the Corporation shall be at the City of Montreal.

SEAL

3. The seal, an impression whereof is stamped on the margin hereof, consisting of two concentric circles between which appears the name of the Corporation and in the centre of which appear the word and figures "Incorporated 1937", shall until otherwise ordered by the Directors be the seal of the Corporation.

SHAREHOLDERS' MEETINGS

4. The annual meeting of the shareholders shall be held at the head office of the Corporation on the third Tuesday in the month of March in each year, for consideration of the report of the directors and the statements of account for the preceding fiscal year, the election of directors, and the transaction of such other business as may properly come before the meeting.

5. Special meetings of the shareholders may be called at any time by the directors of their own motion and shall be called by them on signed requisition of shareholders holding not less than one-tenth of the issued shares of the Corporation stating the general nature of the business to be transacted at the meeting. Special meetings shall be held at such times and places as the directors may determine.

6. At least seven days' notice of each meeting of shareholders, whether annual or special, shall be given to each shareholder of record, by delivering a written or printed notice to him personally, or by mailing such notice in a postage-prepaid envelope addressed to him at his address as it appears on the share register of the Corporation. No publication of any notice of a meeting of shareholders shall be required. Every notice of a special meeting shall, besides stating the time and place of the meeting, state briefly the objects thereof.

7. With the consent in writing of all the shareholders a meeting may be convened by shorter notice, or without any notice, and in any manner they see fit; and any meeting may be held at any time without notice if all of the shareholders are represented at any such meeting personally or by proxy and do not then object to the meeting being held.

8. At all meetings of shareholders the presence, in person or by proxy duly authorized, of the holders of a majority of the issued shares shall constitute a quorum for the transaction of business. In the absence of a quorum the holders of a majority of the shares represented in person or by proxy may adjourn any meeting from time to time.

BOARD OF DIRECTORS

9. The four directors electable by the shareholders (and constituting, with the three directors appointed by the Governor in Council, the Board of Directors of the Corporation) shall be elected at the annual meeting of the shareholders, or at a special meeting held for that purpose.

10. The continuing directors may act notwithstanding any casual vacancy in the Board of Directors.

11. The directors may meet at any time or place for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. The quorum necessary for the transaction of business shall be a majority of the Board. Questions arising at any meeting shall be decided by a majority of the votes of the directors present including the Chairman, and in case of an equality of votes the Chairman shall, in addition to his original vote, have a casting vote.

12. The President shall preside at all meetings of the directors at which he is present. In his absence the directors present shall choose one of their number to act as Chairman of the meeting.

13. The Board of Directors or a majority thereof may without meeting decide or act by way of a written minute or concurrence signed by the directors or a majority of them. A note of such written minute or concurrence shall, at the first meeting thereafter of the Board of Directors, be entered in the minute book of the Board. Provided that a majority decision or action by way of a written minute or concurrence shall not be valid unless or until all directors have had notice of the subject matter thereof.

EXECUTIVE COMMITTEE

14. The directors may appoint an Executive Committee of three of their number. Such committee may exercise all the powers of the directors, but every act or decision of the committee shall be reported by it to the board at its next ensuing meeting.

MINUTES AND BY-LAWS

15. There shall be duly entered in one or more books provided for the purpose minutes of all meetings of the shareholders, directors and Executive Committee (if any); and any such minutes or copies thereof or extracts therefrom and any of the Corporation's By-laws or copies thereof or extracts therefrom shall, if certified as such by the Secretary or an Assistant Secretary under the seal of the Corporation, be received in evidence without further proof.

OFFICERS

16. The officers of the Corporation shall consist of a President, who shall be elected by the directors from among their number, and a Vice-President in charge of Operations, a Secretary, a Treasurer, a Comptroller, a Chief Counsel, and such other officers as may from time to time be appointed by the directors or by the President.

PRESIDENT

17. The President shall be the chief executive officer of the Corporation and, subject to the directors, shall exercise general control over all its affairs and

employees, and cause the business of the Corporation to be duly and efficiently carried on in conformity with the relevant Statutes and By-Laws.

VICE-PRESIDENT IN CHARGE OF OPERATIONS

18. The Vice-President in charge of Operations shall, subject to the By-laws and to the President, have charge of all operations of the Corporation. He shall report to the President.

SECRETARY

19. The Secretary shall attend all meetings of the shareholders and directors and shall keep a complete record of their proceedings, and shall notify the shareholders and directors of the time and place of all meetings. He shall be the custodian of the stock certificate book, share register and seal of the Corporation, and of all deeds, contracts, leases and other documents of the Corporation. In the absence of the Secretary an Assistant Secretary shall perform his duties.

TREASURER

20. The Treasurer shall have the care and custody of all moneys, funds and securities of the Corporation, and shall deposit or cause to be deposited all funds of the Corporation in and with such depositaries as the directors shall, from time to time, direct. He shall perform such other duties as are incident to his office or as may be required of him from time to time by the directors. If required to do so he shall give a bond in such sum and with such sureties as shall be satisfactory to the directors. In the absence of the Treasurer an Assistant Treasurer shall perform his duties.

COMPTROLLER

21. The Comptroller shall keep the accounts of the Corporation and render detailed reports thereof from time to time as required by the directors or the President and shall perform all such other duties as are incident to his office.

CHIEF COUNSEL

22. The Chief Counsel shall be the chief consulting officer of the Corporation in all legal matters and, subject to the directors and the President, shall have control of all matters of legal import concerning the Corporation.

23. Other officers of the Corporation shall perform the duties usually appertaining to their respective offices unless their duties shall have been specifically defined at the time of appointment.

PERSONNEL AND REMUNERATION

24. Officers, employees and agents of the Corporation, with the exception of those elected or appointed by the directors, shall be appointed by the President. The President may delegate this authority to another officer or officers of the Corporation in whole or in part.

25. The President shall submit for approval at the first meeting of the directors each year, a list of salary ratings and shall fix the compensation of officers, employees and agents of the Corporation for the ensuing year or adjust the compensation of officers, employees and agents of the Corporation during the ensuing year, within such approved ratings. The President may delegate this authority to another officer or officers of the Corporation in whole or in part.

26. Except when expressly authorized by the directors, no officer, employee or agent shall be engaged on terms requiring longer notice of termination of employment than one calendar month.

27. The President may suspend or dismiss any officer, employee or agent of the Corporation except those appointed by the directors. The President may delegate this authority to another officer or officers of the Corporation in whole or in part.

BANKING

28. Accounts in the name of the Corporation and trust accounts not in the name of the Corporation may be opened and operated in such bank or banks and in such manner as the directors may from time to time by resolution approve.

EXECUTION OF DOCUMENTS

29. Transactions covering expenditures, guarantees, direct or contingent obligations, leases or sales, involving in any one case over \$25,000 or for a period running for more than five years shall require approval by the directors. When such approval has been given the relative documents may be executed by being sealed with the Corporation's seal and signed by the President or the Vice-President of Operations, together with the Secretary or an Assistant Secretary.

30. Documents relating to transactions required for the ordinary carrying on of the Company's business, and not being transactions referred to in Section 29 may be executed with or without the Corporation's seal and signed by the President, the Vice-President of Operations *or such other officer or officers as may from time to time be appointed for the purpose by the directors*, and with or without the signature of the Secretary or an Assistant Secretary; provided that an original copy of all documents so executed shall forthwith be deposited in the Secretary's Department.

31. Powers of Attorney for the purpose of enabling the ordinary business of the Corporation to be carried on may from time to time be executed under the Corporation's seal, signed by the President or the Vice-President of Operations, together with the Secretary or an Assistant Secretary.

32. The President or the Vice-President of Operations, together with the Secretary or an Assistant Secretary, are authorized to appear before a notary in the Province of Quebec and sign, execute and deliver or accept in the name and on behalf of the Corporation and with or without the affixing of the Corporation's seal, documents of any nature which require execution by the Corporation; also to appoint under the seal of the Corporation from time to time officers of the Corporation or other persons as the attorney of the Corporation with power to sign, execute and deliver or accept in the name and on behalf of the Corporation any document or documents for a purpose set out or referred to in the power of attorney appointing such attorney. Any such power of attorney may contain such limitations as the said officers may from time to time think fit.

33. All documents referred to in Sections 29 to 32 inclusive shall prior to execution be approved by the Chief Counsel or by a legal officer designated by him.

34. Reports, returns or other formal documents relating to the affairs of the Corporation required by governmental or other authorized agencies may be executed by the office or officers required by the respective forms to execute such documents; and copies of such documents need not be deposited in the Secretary's Department.

35. Share certificates shall be issued under the seal of the Corporation signed by the President and countersigned by the Secretary or an Assistant Secretary.

CAPITAL EXPENDITURES

36. The President shall submit to the directors each year a budget of the estimated capital requirements for the ensuing year, which may make provision for unforeseen or contingent expenditures.

37. No project involving capital expenditures shall be commenced nor any commitment made prior to the approval of such budget, unless authorized by the directors.

38. No project, involving a net change in investment of \$5,000 or more out of the budgeted contingency fund shall be undertaken without prior approval of the President.

39. The President shall submit to the directors periodically a statement of commitments made and expenditures incurred on capital account.

PURCHASES OF MATERIALS AND SUPPLIES

40. Purchase of equipment, materials and supplies for a sum greater than \$10,000 shall be by tender unless in the opinion of the directors the interests of the Corporation will be best served by dispensing with tenders.

41. Tenders for purchases estimated to cost less than \$2,000 shall be opened and contracts awarded by an officer or employee to be designated from time to time by the President.

42. Tenders for purchases estimated to cost \$2,000 or more shall be opened in the presence of two officers or an officer and employee to be designated from time to time by the President. Contracts for purchases amounting to less than \$25,000, may be awarded by an officer designated from time to time by the President, provided that if the lowest tender is not accepted the approval of the President shall be obtained before the contract is awarded.

43. Tenders or proposals for purchases of \$25,000 or more under a single purchase, stocking order, or group of purchases for the same thing at the same time, shall be submitted to the President for approval of the directors before contract is awarded.

44. Envelopes in which tenders are received shall have clearly marked thereon the date and exact time of receipt, and when opened shall be endorsed as to date and time of opening and each page of each tender shall be initialled by the officers and/or employee by whom opened.

CONSTRUCTION CONTRACTS

45. For work estimated to cost not more than \$5,000 contracts may without calling for tenders be awarded by an officer or officers to be designated from time to time by the President, on the standard or short form of contract approved by the Corporation's counsel.

46. For work to be performed by other than Corporation forces and estimated to cost over \$5,000 competitive sealed tenders shall be called. If the estimated cost is less than \$25,000 a contract shall be awarded on the approval of the President. For work estimated to cost \$25,000 or more the tenders shall be tabulated and referred to the President for submission to the directors. Contracts when awarded under this section shall be in the general form of contract approved by the Corporation's counsel.

47. Tenders for work referred to in Section 46 shall be opened by officers designated from time to time by the President. Envelopes in which tenders are received shall have clearly marked thereon the date and exact time of receipt and when opened shall be endorsed as to date and time of opening and each page of the tenders shall be initialled by the officers by whom opened.

48. It shall be a condition of all tenders that there be deposited with each tender an accepted cheque on a chartered bank of Canada, payable to the Corporation, for five per cent of the total amount of the tender. Cheques shall be returned to unsuccessful tenderers immediately after a decision has been made as to the award of the contract.

49. It shall be a condition of the acceptance of a tender, whether so expressed in the acceptance or not, that the tenderer shall not later than two weeks from notification of acceptance of tender furnish the Corporation with a

surety bond of a Guarantee or Indemnity Company approved by the Corporation and having an office in Canada (preferably in the Province in which the contract will be performed) for the full amount of the specified contract price, and expressed in terms approved by the Corporation, as security for the due fulfilment of all the provisions of the contract. Such bond shall be retained until the passing of the final estimate. If such bond shall not be in the possession of the Corporation within two weeks as aforesaid the Corporation shall have the right to retain the amount of the deposit as liquidated damages, to reject the tender and to award the contract to another tenderer.

50. Upon the opening of tenders all deposit cheques shall be immediately taken charge of by the Treasurer, who will retain them in safe keeping until advised as to their return or retention.

51. Except for special reasons, tenders shall be invited by public advertisement but if in the opinion of the President it is considered advisable to call for tenders by letter from selected contractors, public advertisement may be dispensed with.

52. Where the work concerned is such that it can be carried out satisfactorily by local contractors, then the advertisement may be made in local newspapers only; but if the work is of considerable magnitude or involves a special type of work, public advertisement for tenders shall also be made in newspapers published in adjacent cities where the headquarters of large contractors or manufacturing concerns are located.

Passed and adopted by the directors as a By-Law of Trans-Canada Air Lines January 6th, 1939.

Sanctioned and confirmed by the Shareholders January 6th, 1939.

S. J. HUNGERFORD,
President.

W. H. HOBBS,
Secretary.

(Seal)

TRANS-CANADA AIR LINES

BY-LAW No. 2

Entitled "A By-Law relating to the preparation and issue of tariffs of tolls."

Be it enacted by the Directors of Trans-Canada Air Lines (herein called the Corporation) as a By-Law of the Corporation, as follows:—

Pursuant to Section 18 of The Transport Act, 1938, the officers below mentioned are respectively authorized and empowered from time to time to prepare and issue tariffs of the tolls to be charged in respect of the operation of the Corporation's aircraft:—

Vice-President in charge of Operations.

Assistant to the Vice-President in charge of Operations.

General Traffic Manager.

This By-Law shall remain in effect until cancelled or amended by the Directors.

Passed by the Directors this 6th day of January, 1939.

Witness the seal of the Corporation.

S. J. HUNGERFORD,
President.

W. H. HOBBS,
Secretary.

(Seal)

Approved by Board of Transport Commissioners, Order No. 57006, dated January 26th, 1939.

TRANS-CANADA AIR LINES

BY-LAW No. 3

Entitled "A By-Law relating to the Preparation and Issue of Tariffs of Express Tolls".

Be it enacted by the Directors of Trans-Canada Air Lines (herein called the Corporation) as a By-Law of the Corporation, as follows:—

Pursuant to Section 18 of The Transport Act, 1938, the General Manager, Express Services, be and is hereby authorized and empowered from time to time to prepare and issue tariffs of the tolls to be charged in respect of the Express Services of the Corporation's aircraft.

This By-Law shall remain in effect until cancelled or amended by the Directors.

Passed by the Directors this 8th day of March, 1939.

Witness the seal of the Corporation.

S. J. HUNGERFORD,
President

(Seal)

W. H. HOBBS,
Secretary.

TRANS-CANADA AIR LINES

BY-LAW No. 4

The Vice-President in charge of operations, or the Assistant to the Vice-President in charge of operations, or the General Traffic Manager of the Corporation are respectively authorized by this By-Law to prepare and issue passenger tariffs of the tolls to be charged in respect of the aircraft owned or operated by the Corporation.

The General Manager, Express Services, is authorized by this By-Law to prepare and issue tariffs of tolls to be charged for the carriage of goods in respect of the aircraft owned or operated by the Corporation.

Such officers are authorized to submit the same to, and file the same with, the Board of Transport Commissioners for Canada, as required by The Transport Act, 1938.

By-Law No. 2, dated January 6, 1939, and By-Law No. 3, dated March 8, 1939, are hereby repealed.

The above By-Law was passed by the Directors this thirteenth day of April, 1939.

Witness the seal of the Corporation.

S. J. HUNGERFORD,
President.

(Seal)

W. H. HOBBS,
Secretary.

Approved by Board of Transport Commissioners, Order No. 57359, dated April 28, 1939.

TRANS-CANADA AIR LINES

BY-LAW No. 5

Be it enacted by the Directors of Trans-Canada Air Lines as follows:—

By-Law No. 4 (relating to the preparation and issuance of passenger tariffs) as passed by the Directors on the thirteenth day of April, 1939, is hereby amended by deletion therefrom of the words "Assistant to the Vice-President in charge of operations" and the substitution therefor of the words "Assistant Vice-President in charge of operations".

Passed by the Directors this sixteenth day of January, 1942.

Witness the seal of the Corporation.

H. J. SYMINGTON,
President.

(Seal)

W. H. HOBBS,
Secretary.

Approved by Order No. 61929 of the Board of Transport Commissioners for Canada, dated February 25, 1942.



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Canada - Railways and Shipping
Standing Committee - 1943

SESSION 1943

HOUSE OF COMMONS

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STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

WEDNESDAY, MARCH 31, 1943

WITNESSES:

Mr. H. J. Symington, K.C., President, Trans-Canada Air Lines,
Mr. R. C. Vaughan, Chairman and President, Canadian National Railways.
Mr. N. B. Walton, Executive Vice-President, Operation and Construction
Departments, Canadian National Railways.
Mr. T. H. Cooper, Comptroller, Canadian National Railways and Trans-
Canada Air Lines.
Mr. O. A. Matthews, of George A. Touche & Company, Auditors.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1943



WEDNESDAY, March 31, 1943.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government, met at 11 o'clock a.m., the Chairman, Mr. Howden, presiding.

Members present: Messrs. Donnelly, Dubuc, Durocher, Emmerson, Ferland, Hanson (*York-Sunbury*), Hanson (*Skeena*), Harris (*Danforth*), Howden, Jackman, Lockhart, McCulloch, Nicholson, Parent, Pouliot, Ross (*Middlesex East*), Sanderson, Sissons.

In attendance: Commander C. P. Edwards, Deputy Minister of Transport, Mr. R. C. Vaughan, Chairman and President, Canadian National Railways, Mr. H. J. Symington, K.C., President, Trans-Canada Air Lines, and other officials of the Canadian National Railways and Trans-Canada Air Lines; Mr. O. A. Matthews of George A. Touche & Company, Auditors.

The Committee resumed consideration of the Annual Report of Trans-Canada Air Lines.

Mr. Symington was recalled and examined on the Balance Sheet and Income Account. He was assisted by Mr. O. T. Larson, Vice-President, Mr. W. F. English, Assistant Vice-President, and Mr. T. H. Cooper, Comptroller.

Witness filed a brief statement respecting the provision of funds for capital purposes in 1942. He also supplied members with a breakdown of operating expenses as requested at the previous sitting.

In the course of Mr. Symington's examination, Mr. Matthews and Mr. Cooper were also briefly examined.

Consideration of the Report of Trans-Canada Air Lines being completed, the said Report was adopted on motion of Mr. Hanson (*Skeena*).

On behalf of the Committee the Chairman thanked Mr. Symington, who was retired.

The Committee then proceeded to consider the Annual Report of the Canadian National Railway System for the year ended 31st December, 1942.

Mr. R. C. Vaughan, Chairman and President, was called. He read from the Report and was examined thereon. Mr. N. B. Walton, Executive Vice-President, operation and construction departments, and Mr. T. H. Cooper, Comptroller, assisted and were also examined.

At 1.00 o'clock, p.m., the Committee adjourned until tomorrow, Thursday, April 1st, at 11 o'clock a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

March 31, 1943.

The Standing Committee on Railways and Shipping met this day at 11 o'clock a.m. The Chairman, Mr. J. P. Howden, presided.

The CHAIRMAN: Gentlemen, we have a quorum so let us get started.

Mr. SYMINGTON: Mr. Chairman, yesterday the Hon. Mr. Hanson asked a question about the provision of funds for capital purposes in 1942, and after I had made the answer he said he was not sure he understood it so I will, with your permission, sir, file a short statement showing how funds were provided.

The CHAIRMAN: Very good.

Hon. Mr. HANSON: I hope it will be in very plain language so I can understand it.

Mr. SYMINGTON:

Funds provided by—

Issue of capital stock	\$850,000	
Surplus earnings	494,915	
Increase in self-insurance reserve.....	110,990	
Decrease in depreciation reserve.....	374,176	
	<hr/>	\$1,081,729

Utilized for—

Capital expenditures	\$772,929	
Increase in working capital.....	308,800	
	<hr/>	\$1,081,729

Then Mr. Pouliot asked for the by-laws of the company. I would like to file those. (*See Appendix "B" of Minutes of Proceedings and Evidence of March 30, 1943.*)

The CHAIRMAN: All right.

Mr. SYMINGTON: Then we were asked for a breakdown of operating expenses which I have managed to get. I would ask you to have them distributed to the members of the committee. I provided Mr. Harris with a copy yesterday while these were being typewritten.

The CHAIRMAN: Have you completed the balance sheet?

Mr. HARRIS: No. I think Mr. Chairman, you might take up the observations made by the witness seriatim, as it were, or has Mr. Hanson anything to say?

Hon. Mr. HANSON: No.

Mr. HARRIS: Mr. Chairman, I think the committee probably should have a few observations from the witness with regard to operating expenses and revenue, and pointing out the reasons why in most cases there is a very sharp advance, and in some cases quite a lesser amount being used during the current year 1942 versus 1941.

Mr. JACKMAN: Mr. Chairman, have we proceeded with the balance sheet yet?

The CHAIRMAN: No. Do you want to take the balance sheet up item by item?

Mr. JACKMAN: It is customary to do it. It will not take a minute if there is nothing in it.

The CHAIRMAN: All right, we will proceed that way.

Mr. SYMINGTON: Do you want me to read it?

The CHAIRMAN: I guess so.

Mr. SYMINGTON: Balance sheet as at December 31, 1942.

ASSETS

Current Assets—

Cash	\$ 688,451 16
Working Fund Advances	5,769 01
Special Deposits	2,214 53
Accounts Receivable	807,784 44
Traffic Balances Receivable	453,076 10
Balances Receivable from Agents	24,091 59
Materials and Supplies	826,140 51
Other Current Assets	142,537 07
	<hr/>
	\$2,950,064 41

Mr. JACKMAN: Have you any comment to make on any of the items, Mr. Symington, any slow pay?

Mr. SYMINGTON: No, I can give a list. They are nearly all government. Post Office Department, \$290,000; Department of Munitions and Supply, \$160,000; Department of Transport, \$12,000; Department of National Defence, \$31,000; Canadian Pacific Airlines, \$40,000; British Overseas Airways, \$161,000.

Hon. Mr. HANSON: Are they prompt payers?

Mr. SYMINGTON: Yes, I think we have no complaint.

Hon. Mr. HANSON: I have heard some complaints but I think it is the magnitude of the work.

Mr. HARRIS: It is not very prompt payment if you have outstanding over 60 days close to \$1,000,000 on \$6,000,000 or \$7,000,000.

Mr. SYMINGTON: I am informed that 60 days is the usual time.

Mr. HARRIS: You would not call 60 days prompt payment.

Mr. JACKMAN: You are still a little short for working capital requirements or cash?

Mr. SYMINGTON: No, if you take current liabilities you see accounts payable, \$685,000; there is \$996,289 as opposed to. . .

Mr. JACKMAN: You are doing all right; you have got more than you require.

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: I think you are very lucky.

Mr. JACKMAN: Just noticing the accounts payable, \$685,000, I suppose there is no advantage in using cash to pay those immediately? There are no discounts in your business?

Mr. SYMINGTON: No, and they are fairly current. They are sundry gas and oil accounts, \$106,000; Boeing Aircraft \$89,947; that was in connection with the new engine conversion; Receiver General of Canada, \$51,000; Imperial Oil Limited, \$46,000; British American Oil Limited, \$33,000; Shell Oil, \$23,000; Canadian transportation tax, \$23,000, and so on.

Mr. JACKMAN: How much is that for the Receiver General?

Mr. SYMINGTON: The Receiver General of Canada, \$51,308.51.

Mr. JACKMAN: Is that on unemployment insurance, and things like that?

Mr. SYMINGTON: Unemployment insurance, etc.

Mr. JACKMAN: You do not have any trade discount, I suppose, in this business?

Mr. SYMINGTON: No.

Hon. Mr. HANSON: Unemployment Insurance do not give you any discounts for cash.

The CHAIRMAN: All right, go ahead.

Mr. SYMINGTON:

Investment in Affiliated Companies.. . . .	\$ 2,250.00	
Prepayments—Insurance.. . . .	33,957.64	

Mr. JACKMAN: Is that self-insurance or an outside company?

Mr. SYMINGTON: That is outside insurance.

CAPITAL ASSETS:

Property and Equipment.. . . .	\$ 5,883,683.48	
Less Accrued Depreciation.. . . .	1,504,189.83	\$4,379,493.65
		<hr/>
		\$7,365,765.70

Mr. LOCKHART: Mr. Chairman, can we have a slight breakdown on the depreciation?

Mr. SYMINGTON: Yes.

Mr. LOCKHART: Just a brief summary of the type of depreciation you have carried on.

Mr. SYMINGTON: Yes. Aircraft, \$461,118.28; that consists of a 4-year life on the regular planes and 3-year life on the converted planes with the new engines, and the total of that, as of December 31, 1942, is \$461,118.28. Propellers and hubs, \$160,970; that is 7,000 hours in use. Aircraft engines; the Hornets are now completely depreciated and on the twin Wasps we have raised that depreciation to 6,000 hours service as opposed to 4,000 for the old Hornets, and the amount is \$269,724.18. Aircraft Communications Department, 33 sets of Bendix with spares and a unit 5-year life, \$140,664.94. Miscellaneous flying equipment, 5-year, \$3,151.71. Ground communication equipment, 5-year life, \$221,374.19. Hangar equipment, 10 years, \$23,246.53.

Mr. LOCKHART: Are buildings based on a 10-year depreciation?

Mr. SYMINGTON: That is equipment. We come to the buildings later on. Shop equipment, 10 years, \$62,201.74. Motor vehicles and equipment, heavy ten, light five years, \$47,506.69; Fuel storage and equipment, 10 years, \$1,793.10. Furniture and fixtures, 20 years, \$11,000. Airport Lighting equipment, 20 years, \$88.19. Miscellaneous ground equipment, 10 years, \$13,510. Buildings and other improvements, 3 per cent, \$87,021. That makes a total of \$1,504,189.83.

Mr. DONNELLY: You have some insurance in outside companies that you do not carry yourself?

Mr. SYMINGTON: Some of the policies are expiring May 1. We now insure everything in our own self-insurance except, as I explained, large hangars where there may be five or six airplanes in them, and a fire risk there might be a very heavy loss. Our premiums on that are \$33,000 for the three years, or \$11,000 a year.

Mr. JACKMAN: Perhaps while we are discussing insurance, Mr. Symington, you have a reserve on the other side for self-insurance of \$403,161.60. What is the contra item against that on the asset side? You have not got a fund set up for it, have you?

Mr. SYMINGTON: No. At the moment it is in cash but as I explained we are taking it out and putting it in a special account made necessary by the

fact we insure passengers who buy tickets from other lines, and we have got to protect them and have got to satisfy them.

Mr. JACKMAN: You are going to segregate part of the assets as a special fund?

Mr. SYMINGTON: Yes.

Mr. JACKMAN: And you are going to put the money only in government or government-guaranteed bonds?

Mr. SYMINGTON: Quite right.

LIABILITIES

Current Liabilities:

Accounts Payable.....	\$685,459 41	
Traffic Balances Payable	47,193 13	
Salaries and Wages	99,931 46	
Other Liabilities	163,705 13	
	<hr/>	\$996,289 13

Mr. PARENT: What period of time does the \$99,931 cover in current liabilities, salaries and wages? Would that be 2 weeks or a month?

Mr. SYMINGTON: Approximately 2 weeks.

Hon. Mr. HANSON: What are your other liabilities?

Mr. SYMINGTON: Pension accrual, \$100,000; accrual for refund on tickets sold on air travel cards, \$23,198; tax accrual, \$20,000; revenue suspense, \$14,449; miscellaneous, \$6,000. That pension accrual of \$100,000 is the main item there.

Reserves:

Self Insurance	\$403,161 60	
Operating	29,700 00	
	<hr/>	\$432,861 60

Capital Stock:

Common Stock Subscribed—par value	\$5,000,000 00	
Less Uncalled Subscriptions to common stock	400,000 00	
	<hr/>	\$4,600,000 00

Surplus:

Balance at 1st January, 1942...	\$ 841,699 94	
Surplus for year 1942.....	494,915 03	
	<hr/>	\$1,336,614 97
		<hr/>
		\$7,365,765 70

The copy of the certificate of the auditors that I have before me reads:—

We have examined the books and records of the Trans-Canada Air Lines for the year ended the 31st December, 1942, and we certify that, in our opinion, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the affairs of the Air Lines as at the 31st December, 1942, and that the relative Income Account for the year ended the 31st December, 1942, is correctly stated.
16th March, 1943.

GEORGE A. TOUCHE & CO.,
Chartered Accountants.

Hon. Mr. HANSON: May I ask Mr. Matthews to tell the committee, if he will, the character of the audit you carry on?

Mr. MATTHEWS: We indicate that in our report to parliament.

Hon. Mr. HANSON: I have not had a chance to read it.

The CHAIRMAN: If we are going to interrogate Mr. Matthews we will have to have him come up where the stenographer can catch it.

Hon. Mr. HANSON: As long as it is going to be done some time; the point is if you pass it now, you may forget it.

The CHAIRMAN: The stenographer cannot hear you down there. He complained quite bitterly yesterday at not being able to get the testimony.

Mr. MATTHEWS: In our report to parliament it covers the National System, Securities Trust, Trans-Canada Airlines and the West Indies Steamships. In regard to Trans-Canada Airlines this is what we report:—

The Trans-Canada Air Lines have not been included as a constituent unit of the National system although 100 per cent stock ownership of the Air Lines is vested in the Canadian National Railway Company. A separate Balance Sheet and Income Account have been certified by us at the 31st December, 1942.

The Insurance Reserve, covering the aircraft against flying risks together with employers' liability, is not specifically invested, the relative funds being included in the general working capital of the Air Lines.

The surplus for the year 1942, as shown by the Income Account of the Air Lines, is after making provision for:—

- (a) Estimated amount of retroactive contributions to be made by the company under the 1943 Pension plan;
- (b) Interest at 5 per cent on the Capital Investment in accordance with the Trans-Canada Contract, and
- (c) Depreciation on Capital Assets at rates similar to those used by other major air line companies in North America, in accordance with the Trans-Canada Contract.

In the matter of current maintenance policy we have received certificates from the responsible officers to the effect that the Properties and Equipment have been maintained in a proper state of repair and in an efficient operating condition during the year 1942.

Hon. Mr. HANSON: I want to know just what kind of an audit is made; is it a test audit, a check audit or balance sheet audit?

Mr. MATTHEWS: Here is what we said:—

The test audit which we have made for the year 1942 is similar in scope to that of the National System and may be outlined briefly as follows:

- (a) Examination of major expenditure authorities, embracing mainly the recorded Resolutions of the Directors, Corporate By-laws, Acts of Parliament and Orders in Council;
- (b) Audit tests covering a cross-section of the major expenditures so authorized;
- (c) Examination into the adequacy of the internal audit control in general as exercised by the accounting staff of the company covering Cash Receipts and Expenditures, Material Stores, Accounts Receivable, etc., and
- (d) Audit and certification of the Balance Sheet and Income Account for presentation to Parliament.

In the report on the national system we go into that in greater detail.

Hon. Mr. HANSON: That is fine. The check is at most an internal audit just to make up the balance sheet.

Mr. MATTHEWS: That is right, yes.

Hon. Mr. HANSON: You yourself do not have a staff in there continuously?

Mr. MATTHEWS: Oh, yes; in the National railways we have a staff all the year round, in the Trans-Canada Air Lines just at intervals during the year.

Hon. Mr. HANSON: That is fine.

Mr. JACKMAN: May I ask you this question before you leave, Mr. Matthews: Under (a) of the subparagraph above the words you just read, you say:

(a) Estimated amount of retroactive contributions to be made by the Company under the 1943 Pension Plan

How much was that and did it come out of the operating surplus for the year, charged as operating expenses for the year?

Mr. MATTHEWS: That is what we tell you here, yes, \$100,000.

Mr. JACKMAN: Although it refers to the previous years you did so well in 1942 that you decided to charge it all against—

Mr. MATTHEWS: Mr. Chairman, in relation to the income account for the year as a whole we considered that against the depreciation credit we discussed yesterday. The depreciation credit arose, as we explained yesterday, out of the depreciation rates in the prior years being higher than the final experience turned out to be and as a matter of fact there is no option in that regard because Trans-Canada contract so prescribes that; the net result is affected very little by both items.

Mr. JACKMAN: In other words, what you mean is, the depreciated assets were pretty well taken up by making it enough to put the pension plan on a sound basis.

Mr. MATTHEWS: That is right; the two amounts are pretty close so that the net result is not affected by either of the two items.

The CHAIRMAN: Is there anything further?

Mr. JACKMAN: Under that item of reserve in liabilities, what is the operating reserve of \$29,700?

Mr. SYMINGTON: That was for deferred maintenance. We were half-way through renewing the seats in our planes at the end of the year and we were allowed to carry over deferred maintenance reserve \$23,000.

The CHAIRMAN: We are now on page 12.

Mr. SYMINGTON:

INCOME ACCOUNT

Gross Revenue:	Year 1942	Year 1941
Passenger	\$3,065,452.96	\$2,348,428.46
Mail	3,211,921.74	3,058,120.95
Express	173,020.25	78,811.56

Mr. HARRIS: Mr. Chairman, I wonder if this would be the opportune time to give us the rates for the years 1942 and 1941 relating to mail?

Mr. SYMINGTON: Yes, sir; the rate for 1942 was 45.57 cents; the rate for 1943, 42.08, fiscal year.

Mr. JACKMAN: For 1941?

Mr. SYMINGTON: 48.16.

Hon. Mr. HANSON: 1942 was what?

Mr. SYMINGTON: 45.57.

Hon. Mr. HANSON: 1943?

Mr. SYMINGTON: 42·08. Now, continuing with the income account:

Express	\$173,020 25	\$78,811 56
Excess Baggage	29,460 29	18,341 12

Mr. DONNELLY: What proportion of express would you say was due to military operations?

Mr. SYMINGTON: Well, I do not think we can exactly say. What we gave you yesterday was what had been given priority, the pounds in express which amounted, if I remember correctly, to 11,000 pounds. That was priority express for war purposes.

Mr. LOCKHART: Has there been a reduction in the express rate in the same proportion as in the mail rate?

Mr. SYMINGTON: No, sir.

Mr. LOCKHART: No change at all?

Mr. SYMINGTON: No change at all. Continuing with the statement:

Excess Baggage.....	\$ 29,460.29	\$ 18,341.12
Incidental Services.....	857,463.36	304,091.94

Hon. Mr. HANSON: That is a large item; is that principally war work?

Mr. SYMINGTON: It is war work, repairs.

Mr. HANSON (Skeena): How many pounds is each passenger allowed to take?

Mr. SYMINGTON: Forty pounds; over that is excess.

Hon. Mr. HANSON: Do you put any limit on the weight of passengers?

Mr. SYMINGTON: No, neither do we charge double fare, but we have to ask the weight to know the total weight of the ship.

Mr. DONNELLY: What about children, is it the same as on the trains?

Mr. SYMINGTON: We have half fare for children.

Mr. DONNELLY: At what age do they travel for half fare?

Mr. SYMINGTON: Twelve and under.

Mr. DONNELLY: All the way down?

Mr. SYMINGTON: Yes.

Mr. EMMERSON: What about babes in arms?

Mr. SYMINGTON: They go free; infants in arms not occupying a seat go free.

Total	\$7,337,318.60	\$5,807,794.03
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Operating Expenses:	1942	1941		
Aircraft:				
Operation and				
Maintenance	\$3,412,048.39	\$3,011,315.13		
Depreciation	505,763.74	567,953.87	\$3,917,812.13	\$3,579,269.00

Mr. HARRIS: Mr. Chairman, I wonder at this stage if we could have a little information on this figure that has been broken down. I think the members of the committee have a copy of the breakdown.

The CHAIRMAN: Will you allow the witness to read it through and then come back to it after?

Hon. Mr. HANSON: It seems a waste of time to ask Mr. Symington to read all these figures when we have them before us. He wants to get through and we want to help him.

The CHAIRMAN: As a matter of fact it has proved a most satisfactory practice in the past.

Hon. Mr. HANSON: It is just to help lazy men who do not read these things.

Mr. SYMINGTON: May I suggest that these figures go in the record in their entirety?

The CHAIRMAN: It is desirable that these figures go into the record. If the committee have no objection we will have them read so as to put them in the record.

Hon. Mr. HANSON: I have no objection.

The CHAIRMAN: Go ahead.

Mr. SYMINGTON:

Ground Facilities:

Operation and

Maintenance	1,397,072.81	1,029,651.13		
Depreciation	133,893.37	140,571.12	1,530,966.18	1,170,222.25
Incidental Services.....			599,512.32	155,488.20
Traffic and General Administration.....			545,517.88	394,260.97
Tax Accruals.....			34,590.81	6,895.58
Exchange, etc.....			13,270.25	11,721.24
Interest on Capital Invested.....			200,734.00	187,500.00
Total			\$ 6,842,403.57	\$ 5,505,357.24
Surplus			\$ 494,915.03	\$ 302,436.79

Mr. HARRIS: I should like to revert now to the breakdown and I should like to ask this question of Mr. Symington. Mr. Symington, you have in front of you No. 611, aircraft repairs increased 60 per cent.

Mr. SYMINGTON: Yes, sir. Well, now, first may I explain to the committee those classifications. The numbers you see are classifications of accounts for air carriers operating under the jurisdiction of the Board of Transport Commissioners for Canada, and all these items and the breakdown of them are what are set up by the Board of Transport Commissioners for all air lines. You ask me for 611.

Mr. HARRIS: Only as a matter of quick reference. On page 5 of your financial statement. In order to expedite the matter I drop right down to No. 611.

Mr. SYMINGTON: 611.

Mr. HARRIS: Yes, just as an example.

Mr. SYMINGTON: I can give you that, sir. That was the engine substitution job. I can give you those figures if you want them, Mr. Harris.

Mr. HARRIS: Aircraft engines, that would be extra service, 20 per cent.

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: From whom do you buy your gasoline?

Mr. SYMINGTON: All of the oil companies.

Hon. Mr. HANSON: How do you distribute it?

Mr. SYMINGTON: Well, we take ease of delivery; we sit down and divide the field; the price is the same.

Hon. Mr. HANSON: I have no doubt the price is the same, but which company gets the major part of this, McColl-Frontenac?

Mr. SYMINGTON: No, I think the Imperial Oil Company are the largest, are they not?

Hon. Mr. HANSON: What is the breakdown between the big companies, how much from Imperial and how much from McColl-Frontenac?

Mr. SYMINGTON: Without going into decimals, Mr. Hanson, it is about 40 per cent Imperial, 25 per cent British American, 20 per cent McColl-Frontenac, and 15 per cent Shell.

Mr. JACKMAN: That applies to gasoline and oil?

Mr. SYMINGTON: No.

Mr. JACKMAN: Just gas?

Mr. SYMINGTON: Just gas.

Mr. LOCKHART: Was there a comparative breakdown between 1941 and 1942? I have 1942 here.

Mr. SYMINGTON: There is a comparative breakdown which I sent to Mr. Harris as he had raised it yesterday, and I just cut it out of my book. Whoever had these reports typewritten for you last night apparently only took the 1942 list. Mr. Harris, I imagine, is the only one who has the comparison; I sent it over to him myself; I cut it out of the other book.

Mr. HARRIS: It is pretty difficult for the members of the committee to follow it unless they have a prepared statement.

Mr. SYMINGTON: I quite realize that, and I was very much surprised when I saw this here this morning. But I think if there is any doubt, or if anybody asks for an item, I will give the comparative figure the same as you have it.

Mr. HARRIS: I will be as brief as I can, if I may, Mr. Chairman, and run over a few of these items. Depreciation on item 626 is only 25 per cent of what it was last year. I imagine it is the new set-up of the capital structure on depreciation. That is item 626 on aircraft engines.

Mr. SYMINGTON: Aircraft engine depreciation, credit for \$100,000 in that account from salvage of the engines we sold.

Mr. HARRIS: Coming down to item 632, airport and hangar employees, there is an increase there of 50 per cent. That seems abnormal. There is an increase from \$214,000 last year to \$326,000 this year.

Mr. SYMINGTON: The information given to me is that our increased services and employment, plus the largest part of the cost-of-living bonus is in there.

Mr. LOCKHART: Is there any increase in the salaries and wages?

Mr. SYMINGTON: No, no increase. There is an increase of staff, though.

Hon. Mr. HANSON: What is the percentage?

Mr. SYMINGTON: Of staff?

Hon. Mr. HANSON: Yes, in numbers.

Mr. SYMINGTON: I will give you that.

Hon. Mr. HANSON: There is a 50 per cent increase in the amount of money paid. What is the increase in staff on the percentage basis?

Mr. SYMINGTON: 1,208 to 1,662. That is the total staff.

Mr. HARRIS: Item 636, travelling and office expenses, moved up 20 per cent, from \$151,000 to \$182,000.

Mr. SYMINGTON: Yes. The main item in that is \$100,000 for teletype. We have completed the teletyping of the whole system, and the increase or rather the amount in there for teletype for 1942 is \$100,000.

Mr. HARRIS: Is that item 636?

Mr. SYMINGTON: Yes.

Mr. HARRIS: That is all charged as expense. It was not capitalized in your office?

Mr. SYMINGTON: No. That is an expense, an operation expense. It is a rental charge on the teletype machines and teletype services. We pay out \$100,000.

Hon. Mr. HANSON: Do you buy them or rent them?

Mr. SYMINGTON: No. We do not buy them.

Hon. Mr. HANSON: You rent them.

Mr. JACKMAN: You pay \$100,000 a year for rental?

Mr. SYMINGTON: \$100,000 for the services.

Mr. HARRIS: What are the services for 1941?

Mr. SYMINGTON: We pay that to the telegraph company for the channels in their lines to give us the teletype service; some to the C.N. and some to the C.P.

Mr. HARRIS: In 1941 you also had teletypes?

Mr. SYMINGTON: \$60,000.

Mr. HARRIS: That is to say, it moved up from \$60,000 to \$100,000; and that accounts for the \$40,000 increase in your office expenses.

Mr. SYMINGTON: For travelling and office expenses—the office expenses portion of it. The other is, I think, commensurate with the increased staff and the increased travelling by reason of the increased business.

Mr. HARRIS: What portion of that is travelling expenses?

Mr. SYMINGTON: 15 per cent.

Mr. HARRIS: Coming to item 649, repairs are trebled, from \$13,000 to \$34,000. Is that for any particular building?

Mr. SYMINGTON: Those were alterations in partitions and work rooms in our shop in Winnipeg.

Mr. HARRIS: The next item is 650, which moved up from \$34,000 to \$85,000. That is shop expenses—indirect labour and material. Would that be outside contracts with somebody?

Mr. SYMINGTON: That is the way they are charged with respect to increased government work. Direct wages are charged in directly, but superintendence, overhead and so on are charged in in that item.

Hon. Mr. HANSON: What do you mean by indirect labour?

Mr. SYMINGTON: Indirect labour is superintendence, overhead and so on—janitors, cleaners and all that sort of thing.

Hon. Mr. HANSON: Oh, yes.

Mr. SYMINGTON: We furnish the department with the direct labour, the man actually making the machine.

Mr. HARRIS: Store expenses, \$30,000 to \$48,000.

Mr. SYMINGTON: About the same reason; stores for the new plants for the government.

Mr. HARRIS: Express expenses doubled, from \$21,000 to \$47,000.

Mr. SYMINGTON: The business, of course, doubled.

Mr. HARRIS: What is the maintenance reserve of \$6,500?

Mr. SYMINGTON: The maintenance reserve was some painting—signs and so on—that was in the course of completion at the end of the year.

Hon. Mr. HANSON: What is the rate of depreciation applied to the ground facilities?

Mr. SYMINGTON: What item is that?

Mr. DONNELLY: Item 660.

Mr. HARRIS: Item 660, from \$140,000 to \$133,000.

Hon. Mr. HANSON: What is the rate?

Mr. SYMINGTON: I read all that when I was giving the appreciation.

Hon. Mr. HANSON: But I cannot remember that.

Mr. SYMINGTON: Do you want me to read it again?

Hon. Mr. HANSON: No, I do not. But we have not got the evidence.

Mr. SYMINGTON: I quite agree. It is shop equipment, motor vehicles and equipment, fuel storage and equipment, furniture and fixtures.

Hon. Mr. HANSON: I know what it is. What I want is the percentage.

Mr. JACKMAN: The percentage on ground equipment.

Mr. SYMINGTON: From five years to twenty years and 3 per cent on buildings.

Mr. HARRIS: Incidental services, item 676. There we have an item of \$486,293.87. Last year it was \$76,000.

Mr. SYMINGTON: That is the direct labour on the war work.

Hon. Mr. HANSON: Sales mean service really, does it not?

Mr. SYMINGTON: Yes. That is sales.

Mr. HARRIS: Salaries and wages again are up from \$100,000 to \$125,000. The other item I should like to inquire about is pensions and welfare, item 696, \$100,000.

Hon. Mr. HANSON: The contribution.

Mr. SYMINGTON: That is the new pension fund.

Mr. HARRIS: You also have set up in your balance sheet "other liabilities, \$163,705.13." Of that, \$100,000 is also the same fund, is it not? Do I understand your total contribution is \$200,000?

Mr. SYMINGTON: No. \$100,000.

Mr. HARRIS: How do you relate this \$100,000 to that which is on the balance sheet?

Mr. SYMINGTON: The balance sheet carries the accrual and the expense account carries the cost.

Mr. HARRIS: I understood you to say when we were going over the balance sheet that the \$100,000 of this \$163,000 was the pension fund, or the liability for the pension fund. Is that right?

Mr. SYMINGTON: That is the credit, and this one is the debit. Of the \$163,000, only \$100,000 was pension.

Mr. HARRIS: You mean \$100,000 was pension?

Mr. SYMINGTON: Yes.

Mr. HARRIS: What is going to be the cost for 1943? What is your estimate?

Mr. SYMINGTON: About \$8,000 a month; 2½ to 3 per cent of the payroll.

Mr. HARRIS: I just want to make one observation, Mr. Chairman. The balance sheet as a balance sheet, in my opinion, is quite sound, and set-up for operating revenue and expenses is quite sound. Of course, the reason is that they have access to business which is not very hard to obtain, particularly during a time of war. But what I am thinking about is what is going to transpire in the post-war period. They may be busy for one or two years, but at the rate at which the expenses are accelerating year by year, I think a note of warning ought to be left with the management not to run wild. That is to say, if it cost you \$5,300,000 last year, this year \$6,600,000 and next year another increase and so on, we may find ourselves with a costly unit here which will not have enough revenue to pay for the cost.

Hon. Mr. HANSON: We always have the treasury to fall back on. Any government organization always realizes that they have the best banker in the country.

Mr. SYMINGTON: I hope you do not think that of this company, Mr. Hanson.

Hon. Mr. HANSON: I think that of all government companies.

Mr. SYMINGTON: I see.

Hon. Mr. HANSON: They always lean on the treasury.

Mr. JACKMAN: When needed.

Hon. Mr. HANSON: Yes, when needed.

Mr. SYMINGTON: We think we are helping the treasury.

Mr. JACKMAN: Does the Board of Transport Commissioners set the rates of depreciation for the air lines?

Mr. SYMINGTON: No.

Mr. JACKMAN: You do not have any income tax authorities to discuss it with. It is simply between the operating management as to depreciation?

Mr. SYMINGTON: And the post office.

Mr. JACKMAN: And the post office?

Mr. SYMINGTON: And the auditor general, in fixing the air mail rates; because, of course, it makes a great difference.

Hon. Mr. HANSON: The auditor general is bound by statute, and so are all the officials. That is the governing factor.

Mr. SYMINGTON: The treasury officials, whoever looks after it. The post office are the ones particularly interested, of course.

Hon. Mr. HANSON: Quite.

Mr. JACKMAN: I suppose the Board of Transport Commissioners do set the rate for the airways in Canada and the depreciation which shall be charged.

Mr. COOPER: No.

Mr. JACKMAN: They have nothing to do with it?

Mr. COOPER: No.

Hon. Mr. HANSON: That is a standard system of railway accounting?

Mr. SYMINGTON: Yes. We are not doing anything different from anybody else.

Hon. Mr. HANSON: Are you trying to follow a standard system of airline company accounting?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: Or are you setting up your own system?

Mr. SYMINGTON: No. When I say that, I should say that we have perhaps in some instances made what we would consider an improvement in accounting methods, from the study of the American airline accounting; but by and large it is all the same system used.

Hon. Mr. HANSON: Generally speaking.

Mr. SYMINGTON: Generally speaking, yes.

Mr. HARRIS: As a matter of fact, it is your own system. This system is not in accord with the Interstate Commerce Commission.

Mr. SYMINGTON: Practically the same, yes. We sent our people down there. They went into it with the Civil Aeronautics Association.

Mr. HARRIS: Yes. But you are not governed by them?

Mr. SYMINGTON: No. We are not governed by them. We are not compelled, but we do without compulsion.

Hon. Mr. HANSON: You use your own discretion afterwards.

Mr. SYMINGTON: Yes. We think we made some improvements and so did the Board of Transport Commissioners think we made some improvements.

Hon. Mr. HANSON: That is to say, you have set up more depreciation than is demanded by the Interstate Commerce Commission?

Mr. SYMINGTON: I would not say that is so.

Mr. COOPER: No. The Interstate Commerce Commission has no jurisdiction.

Mr. HARRIS: They have over the railways, of course.

Mr. COOPER: Over the railways, yes.

Mr. HARRIS: Quite.

Mr. COOPER: With respect to depreciation on air lines, we asked the various air transport corporations of the United States what their percentages were.

Mr. HARRIS: And then used your own discretion?

Mr. COOPER: Then we discussed it with the management and agreed on rates that should be charged in our accounts.

Mr. HARRIS: You are really not bound by any other unit at all. You have set up a depreciation which, in my opinion, is quite sound. If the Canadian National Railways and the other railways had done the same thing thirty or forty years ago, we would be in much better shape now. If you keep up this practice, you are still going to be sound twenty years hence.

Mr. JACKMAN: The point is that you are not governed by anybody, the Board of Transport Commissioners, the Interstate Commerce Commission or anybody else; therefore, you use your own judgment after studying what other units have been doing.

Mr. COOPER: That is quite correct.

Hon. Mr. HANSON: May I perhaps go back to the mail contract with the Post Office Department.

Mr. SYMINGTON: They, of course, could object to our rate of depreciation, as it enters into the mail rate.

Hon. Mr. HANSON: They have offered objection.

Mr. SYMINGTON: They have not objected to our depreciation but we do have quite strenuous discussions regarding costs. They have fined us \$10, \$50 or so on once in a while for mishandlings—what I mean to say is they go into costs thoroughly for the purpose of deciding whether we are doing it in the right way.

Hon. Mr. HANSON: I hope you don't let yourselves get into a fix like the one the Wartime Prices and Trade Board did, they had to pay out \$50,000 legal fees to get in \$125,000 in fines.

Mr. HARRIS: I would like to complete my observation by saying that the rate is still too high.

Mr. SYMINGTON: Well, I studied that as much as I could, Mr. Harris, and checking up the various American air line expenditures I find that generally speaking when 50 per cent of their revenues come from mail they about break even. Below that they made money; that seems to be about our experience. Over there their passenger business is relatively much greater than ours because they have different planes; and, they do not have the long jumps to make. We could not fly their planes in this country—and they naturally carry a much greater percentage of passenger traffic than we do.

Mr. HARRIS: You were speaking of gross revenue and an average rate; I was thinking about the rate of 19 cents in vogue over there as against the 42-cent rate—that is quite a difference. I understand all the difficulties but I just wanted to point that out as a fact.

Mr. SYMINGTON: We went into that—and there is nothing there, they only carry a load of 300 pounds where we have to carry 1200 pounds.

Hon. Mr. HANSON: The two positions are not quite comparable and anyway it all gets down to the cost of carrying mail.

Mr. SYMINGTON: All I can say is that we are trying to operate as well as we can. As you know, we are not working for ourselves. It does not do us any good at all; the only purpose served is the reduction in the mail rate.

Hon. Mr. HANSON: You have the power behind you—

Mr. SYMINGTON: It is that kind of a company. We have the security but we have not got the profit.

Mr. JACKMAN: How much do you calculate you make on the money your company is using by way of capital—some \$200,000 odd; would that amount to 5 per cent on the capital invested?

Mr. SYMINGTON: We made \$700,000 and something, do you see.

Mr. JACKMAN: I presume that \$494,000 would be $17\frac{1}{2}$ per cent of the money invested.

Mr. SYMINGTON: I should think that would be about right.

Hon. Mr. HANSON: And that is after all write-offs.

Mr. JACKMAN: I suppose you appreciate the advantage this company has in comparison with the position of an ordinary private company which would have to pay anything over a fixed amount in the form of excess profit taxes.

Mr. SYMINGTON: I do not see any difference in it; frankly, it all works out to the same thing. I do not see that it makes any difference how the money that comes out of these services, whether the excess earnings go back to the government through the Post Office Department or through the Department of National Revenue.

Mr. JACKMAN: I just wanted there to throw a complete and fair light on the amazing success that this company has had as compared with private companies. A private company which carried on the same business would find that it has to take its standard earnings for the 1936-39 period—or, if that were held to be unethical, if they were a new industry, they might be allowed 5 per cent on their capital. You have apparently been allowed to earn $17\frac{1}{2}$ per cent or so on your capital. That is an advantage which an ordinary company does not enjoy.

Mr. SYMINGTON: They would be allowed to earn $17\frac{1}{2}$ per cent just the same, but they would have to pay it back in the form of excess profit tax, whereas we pay it direct to the government.

Hon. Mr. HANSON: Do you pay it all back, or is it reflected in a reduction in the mail contract?

Mr. SYMINGTON: It is reflected about 50 per cent in the reduction in the mail contract; and as to the balance, in the balance sheet which you have before you, but it is still government money. We cannot get any more money or make any more money—if we were to make 100 per cent it would all go back in the same way, the Canadian National Railways could not make any more out of it, it all goes to the government.

Mr. JACKMAN: We appreciate that, but you get a great deal of kudos from the press for building up this company and showing the tremendous success of public ownership. What I want to point out is that you do not labour under the same conditions as does a private company, and, therefore, there is no fair basis of comparison.

Mr. SYMINGTON: I am not doing any comparing at all, I am just giving you the figures and the facts.

Mr. JACKMAN: It is obvious that you have done very well; only at the expense of the rest of the taxpayers having to pay for all these other services—the history has been the same with hydro in Ontario and other public-owned utilities.

The CHAIRMAN: Might I ask members of the committee whether they wish to have the balance of this report taken as read, without any further discussion; or if they wish Mr. Symington to run through these latter pages.

Mr. SYMINGTON: I might say, Mr. Chairman, that this being a five-year period, these are only for information; we added them in just for the information of the committee.

Mr. JACKMAN: Might I ask that next year we have the operating expense break-down as it has been provided supplied in tabulated form and incorporated in the report?

Mr. SYMINGTON: We will have it submitted in the report next year.

Hon. Mr. HANSON: Interest on capital investment; that is the item to which I referred the other day—that is hardly a correct description; there is nothing in there in the nature of capital stock. Could that not be clarified by using another description, payable under statutes?

Mr. SYMINGTON: I read the statute; but, of course, these accounts are not prepared by me.

Hon. Mr. HANSON: No, I appreciate that.

Mr. SYMINGTON: The statute calls for that, that is the reason we put it in that way. As I say, it is the only account I know of where interest on investment, the investment being in stock, is made an operating expense, so that there never can be a dividend in this company at all by any chance.

Hon. Mr. HANSON: The net earnings would all be reflected in reductions in the mail rate, that is the theory on which you are operating.

Mr. SYMINGTON: Yes, that is the theory we find in the statutes.

Hon. Mr. HANSON: Suppose that goes up, you would be accumulating a huge surplus.

Mr. SYMINGTON: Oh, no; because, you see, you might have a capital surplus account only in the thousands and then you would have to have more planes. My fear is that we are not being given a good enough run for our money, that we will have to come back to meet the plane situation with government money.

Hon. Mr. HANSON: That is further capital expenditure?

Mr. SYMINGTON: Yes. Under the present set-up we cannot do that.

Hon. Mr. HANSON: But private enterprise does have a capital set-up.

Mr. SYMINGTON:

STATISTICAL DATA

Route mileage operated	4,857	4,024
Plane miles flown—revenue.....	7,172,130	6,384,651
Mail revenue miles flown	7,085,923	6,243,806
Plane miles flown—non revenue	516,772	890,164
Revenue passengers carried	104,446	85,154
Percentage of passenger occupancy	74	67
Average passenger journey—miles	551	520
Air mail carried—pounds	2,308,812	1,389,614
Express carried—pounds	362,837	173,192
Excess baggage carried—pounds	175,158	112,924

Since the inception of operations the company has flown a total of 22,235,865 plane miles in revenue service and a total of 143,526,358 passenger miles.

CANADA'S NATIONAL AIR SERVICE

Five Years of Development

Trans-Canada Air Lines grew out of the need for a swift, modern system of transportation between communities scattered across an area of more than three thousand miles, out of a vision of a more closely integrated nation and a

nation playing an increasingly important part in the affairs of the world. Scarcely had T.C.A. begun transcontinental operations than Canada entered the war and the air line assumed a new additional importance.

Incorporated by Act of Parliament in the spring of 1937, Canada's national air service was designed to operate over an airway—airports, fields, radio range system, meteorological service—which was being built up by or with the assistance of the Dominion Government. Under the provisions of the legislation, the Canadian National Railways holds the capital stock of the Company and provides many essential services.

For the efficient operation of its lines Trans-Canada has created at Winnipeg one of the most complete aircraft engineering and maintenance shops on the continent, has developed a dispatch and communications system especially suited to this swift form of transport, a passenger service system to provide for the comfort and well-being of its patrons, traffic offices in the principal centres of population, and has trained flight and other skilled personnel in the highest standards of modern air line practice. Whereas in 1937 the Dominion had no extended "on the beam" instrument flying, Trans-Canada has to-day more than 100 captains and first officers at the controls of its planes, all of whom have met the exacting tests which Trans-Canada has instituted. The training of personnel for the various branches is carried on continuously by T.C.A.—shop force and flight crews, radio technicians, airport and station staffs, traffic representatives and stewardesses, etc. Trans-Canada is, in great measure, a Canadian civilian university of the air.

T.C.A. began in a small way, with a commercial operation over a route 122 miles long between Vancouver and Seattle. This went into effect in September, 1937. Within the succeeding five years, the air line grew until its route mileage increased to 4,857 miles in 1942.

In 1938, when the first limited mail and express service across Canada began operation, the revenue miles flown amounted to 1,122,179. On the basis of present operations, revenue miles flown are more than 8,250,000 per annum.

Air mail volume was six times greater in 1942 than in 1938; air express was nearly fifty times greater; more than fifty times as many passengers were carried.

Trans-Canada now has 24 twin-engined Lockheed aircraft with the latest type Pratt & Whitney Twin-row Wasp engines.

It provides two transcontinental round trips daily between Halifax and Vancouver, two round trips between Moncton, Sydney and Newfoundland, two between Toronto and New York, two between Toronto, London and Windsor (with connections for Chicago), two between Lethbridge, Calgary and Edmonton, additional trips between Toronto, Ottawa, Montreal, Moncton and Halifax.

Besides maintaining swift passenger, air mail and express service, which is of strategic importance to Canada in war and peace, T.C.A. is fighting on the home front in many other ways.

T.C.A. ground crews overhaul and maintain the trans-oceanic transports operating between Canada and Great Britain and T.C.A. crews participate in the flights. Trans-Canada's association with trans-Atlantic flying began with the first North Atlantic trial flights six years ago, T.C.A. handling the Canadian arrangements for Imperial Airways (now British Overseas Airways Corporation).

In addition to engaging a considerable number of employees at Montreal in connection with trans-Atlantic flights, war work has brought an increase in T.C.A. shop forces at Winnipeg of approximately 40 per cent. Many of the new employees are women, replacing men who have been granted leave of absence to go on active service. Thousands of instruments and accessories are overhauled by T.C.A. for the Royal Canadian Air Force, the Royal Air Force, the British Overseas Airways Corporation and the Commonwealth

Air Training Plan; engines are overhauled and propellers reconditioned; tools are manufactured; annealing and other work is being done for aircraft manufacturers in war industry; and T.C.A. has assisted in important experiments for the National Research Council.

One hundred and sixty-three employees of Trans-Canada Air Lines have enlisted in the Navy, the Army and the Air Force, as pilots, navigators, observers, technicians, etc.

The following is a brief year-by-year summary of the developments during the past five years:

1938

When the year opened, T.C.A. had 71 employees and five Lockheed Electras, carrying ten passengers, pilot and co-pilot. By December, the staff had increased to 332 and nine Lockheed Fourteens had been added to the fleet . . . During 1938, the Vancouver-Seattle operation was continued, and air mail and express shipments were carried between Montreal, Toronto and Vancouver, and between Lethbridge and Edmonton . . . Hangars were completed at Winnipeg and Lethbridge and another begun at Toronto . . . A repair base and overhaul shop was established at Winnipeg . . . Stations with complete radio facilities were opened.

1939

In February, mail and express service to Calgary was established . . . Regular air mail and express night schedules went into effect between Montreal, Toronto and Vancouver in March . . . A month later, passenger service began on this route and between Lethbridge, Calgary and Edmonton . . . Air mail service, on a daylight schedule, was extended in November to Moncton . . . The Electras were sold . . . Six Lockheed Fourteen were acquired, bringing the fleet up to fifteen . . . The Toronto hangar was completed and another erected at Montreal . . . Work was begun on a hangar at Moncton . . . Extensions to the Winnipeg hangar and shops were completed.

1940

Early in the year, air mail and passenger service to Moncton was in operation . . . Air mail and express were carried between Toronto, London and Windsor, beginning in July, and in August passenger service was established . . . A second daily flight went into effect on the transcontinental route and another daily trip was added between Toronto, Ottawa and Montreal . . . Six Lockheed Lodestars were purchased . . . The hangar at Moncton was opened . . . Shop facilities at Winnipeg were expanded to provide the additional accommodation required to take care of instrument repairs for military aircraft . . . Operation and traffic headquarters were transferred from Montreal to Winnipeg.

1941

Service was extended to Halifax in April and to New York, from Toronto, in May . . . Operation of the Vancouver-Seattle service was discontinued . . . The hangar was completed at Montreal's new airport at Dorval . . . Shops and facilities at Winnipeg and Toronto were further extended . . . Maintenance and overhaul of aircraft used in the Atlantic return ferry service was undertaken.

The CHAIRMAN: If there is no further discussion will someone please move the adoption of this report.

1942

Service was extended to Sydney, N.S., and St. John's, Newfoundland, in May... With the addition of six Lodestars, the fleet was increased to twenty-four... The Lockheed Fourteens were improved by installation of Twin-row Wasp engines of 1200 horsepower, replacing Hornet engines of 850 horsepower... New schedules brought into effect in November brought the daily mileage to 22,670, or 8,250,000 miles a year... T.C.A. crews participated in trans-Atlantic flights... The year saw the highest passenger load factor, and new records for volume of mail and express carried... T.C.A. undertook the operation of the new engine shop erected at Winnipeg by the Department of Munitions and Supply for the overhaul of military equipment.

Air Mail (in pounds)

1938.....	367,734
1939.....	523,906
1940.....	927,037
1941.....	1,389,614
1942.....	2,308,812
Total.....	5,517,103

Air Express (in pounds)

1938.....	7,806
1939.....	45,819
1940.....	105,788
1941.....	173,192
1942.....	362,837
Total.....	695,442

Passengers

1938.....	2,086
1939.....	21,569
1940.....	53,180
1941.....	85,154
1942.....	104,446
Total.....	266,435

Revenue Miles Flown

1938.....	1,122,179
1939.....	2,760,090
1940.....	4,770,219
1941.....	6,384,651
1942.....	7,172,130
Total.....	22,209,269

On motion by Hon. Mr. Hanson, seconded by Mr. McCulloch the report of Trans-Canada Air Lines was adopted.

The CHAIRMAN: I would like to thank Mr. Symington now on behalf of the entire committee for his courtesy and the plain-speaking manner in which he has given his evidence. We now go on to Canadian National Railways.

We will now proceed to give consideration of the report of the Canadian National Railways and I will call on Mr. Vaughan.

Mr. R. C. VAUGHAN, Chairman of the Board and president of the Canadian National Railways, *called*.

Mr. VAUGHAN: Mr. Chairman, if you prefer it I will read the report right through and then the members could ask such questions as they may wish. I merely suggest that as a way in which we might possibly make more progress; I am, of course, entirely at the disposal of the committee.

The CHAIRMAN: What is the wishes of the committee in this respect, that Mr. Vaughan go right through the report and then come back to discuss it afterwards or, do you prefer to discuss it as we go along?

Hon. Mr. HANSON: I think we will do better if we have informal discussion as we go along. I may not be here tomorrow.

The CHAIRMAN: All right.

Mr. VAUGHAN:

MONTREAL, March 16, 1943.

The Honourable J. E. MICHAUD, K.C., M.P.,
Minister of Transport, Ottawa.

SIR,—In conformity with the Canadian National-Canadian Pacific Act, 1936, the board of directors submit the following report of the operations of the Canadian National Railways for the calendar year 1942.

The traffic of the railway rose to unprecedented levels. Freight traffic was more than double that of the peak of the last war and 40 per cent in excess of the peacetime record of 1928. Passenger traffic was 80 per cent greater than in 1928. The railway hauled 71,545,000 tons of revenue freight and carried 30,363,000 revenue passengers.

Hon. Mr. HANSON: How much of your 40 per cent increase or, rather how much of your total business has come from the various government departments and agencies; I mean by that what proportion is due directly to the war?

Mr. VAUGHAN: I do not think we have the exact figure in that respect. All we can do is, Mr. Hanson, to give you the prewar figures and the present figures.

Hon. Mr. HANSON: Oh well, that is hardly good enough; I want to know how much the government is paying under war expenditures, war taxes, war loans, to make up this increase in traffic and how much is civilian traffic.

Mr. VAUGHAN: It will be a tremendous job to break that down.

Hon. Mr. HANSON: I suppose it would be.

Mr. VAUGHAN: It comes from all sources; the government pays some, and the shippers and consignees pay some. The revenue comes from points all over the country.

Hon. Mr. HANSON: What you are telling me is that you cannot do it.

Mr. VAUGHAN: I do not think we could.

Mr. JACKMAN: Could you indicate a proportion on the basis of how much of the national income the government is spending? Let us assume that the government spends five million out of a total of nine million, that would be five-ninths of the total business arising out of the war.

Mr. VAUGHAN: I do not think it would be that much.

Mr. JACKMAN: You do not.

Mr. VAUGHAN: I do not think that much.

Mr. JACKMAN: A rough estimate might be one-half?

Mr. VAUGHAN: About one-third or one-quarter.

Mr. PARENT: Do you mean to say that you have no records in your accounting department that would show what increases were brought to the Canadian National Railways in this year's operations as compared with the previous year?

Mr. VAUGHAN: We have a statement, of course, of all the commodities which we handle which would show the increase in those various commodities, but it would be a tremendous task to analyse the business as we receive it from every industry in Canada to determine whether it is the result of the war.

Mr. PARENT: Could we get those figures?

Mr. VAUGHAN: I do not think so, it would be impossible; it would take months with an accounting staff to prepare the information.

Hon. Mr. HANSON: You would know I suppose how much comes to you directly from the government?

Mr. VAUGHAN: Oh yes, we would know that amount.

Mr. DONNELLY: And you would have the same thing, I suppose, with respect to passenger traffic; you could tell us what proportion of that comes directly to you from the government?

Mr. VAUGHAN: Yes.

Mr. DONNELLY: What about the men who pay their own, have you a record of that?

Mr. VAUGHAN: No.

Hon. Mr. HANSON: Have you made an estimate of what the increase in freight traffic and in your passenger traffic has been due directly to the fact that the nation is at war?

Mr. VAUGHAN: I think the only way in which I could answer that now is to say that over a period of twenty years the average gross earnings has been \$230,000,000 and last year it was \$375,000,000.

Hon. Mr. HANSON: So that it will be a fair inference to say that considerable of the increase was due to the war.

Mr. VAUGHAN: I would think it fair to say that a large proportion of the difference is due to the war.

Hon. Mr. HANSON: I think that is a fair statement. It would not be all due to that because people have more money.

Mr. VAUGHAN: Yes.

Mr. JACKMAN: This is a general statement, but it is relevant: assuming that we keep in full employment after the war, is there anything particular in the nature of war business that creates much greater traffic for the railway than you would expect in normal times?

Mr. VAUGHAN: I think there is some greater business undoubtedly as the result of the war than there would be in normal times because there are a great many commodities being made that would not be made in the same volume in normal times.

Mr. JACKMAN: We are assuming that we have full employment.

Mr. VAUGHAN: If there is full employment and other articles are being made and men are being employed in as great numbers as at the present time, I think our gross earnings would closely approximate what they are now.

Mr. JACKMAN: Of course, there is a tremendous export business now, and some good long haul stuff.

Mr. VAUGHAN: We could have a memorandum prepared showing what the Defence departments and various other government departments pay.

Mr. JACKMAN: The problem is really a general one, namely: would you expect to have as great a railroad business with as much traffic in normal times as you have now, provided you would have full employment?

Mr. VAUGHAN: I would not think we could expect to go to the present figure, but we might go back to the 1928 figure when we had pretty well full employment and when there was no war. Our gross earnings in 1928 were \$304,000,000.

Mr. JACKMAN: As against \$375,000,000 now.

Mr. VAUGHAN: As against \$375,000,000 now.

Mr. JACKMAN: That would be a rough approximation?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: You should have plenty of equipment and perhaps excess equipment to carry the amount of traffic you would expect in a post-war period, assuming full employment?

Mr. VAUGHAN: That is correct. I think we can do reasonably well on gross earnings of \$300,000,000.

Mr. JACKMAN: \$300,000,000 would keep you out of the red, of course.

Mr. VAUGHAN: Yes, I think so.

Mr. JACKMAN: But you have to have about that much.

Mr. VAUGHAN: Yes. Of course, traffic is our problem. We have a terrific overhead and a tremendous machine to keep going. We have to operate certain unprofitable parts of it whether times are good or bad.

Hon. Mr. HANSON: The trouble with the National system in my view—and I am only expressing my own opinion—is that in days gone by you were loaded up with unprofitable lines.

Mr. VAUGHAN: True.

Hon. Mr. HANSON: As a matter of public policy. Now, people should keep that in mind when they are critical of the National system. How much was written off for the unprofitable lines?

Mr. VAUGHAN: There was no capital written off. The amount written off represented almost entirely accumulated deficits.

Hon. Mr. HANSON: Oh, yes, it was the operating deficits that were written off.

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: So you still have loaded onto the system—and I think this ought to be stated publicly, at least by me—that the National railways have been loaded up from time to time by parliament, expressing the will of the people, with roads that have been a detriment, which have been uneconomic and unprofitable. We ought to realize that fact to be fair to the road.

Mr. VAUGHAN: That is a perfectly correct statement.

Hon. Mr. HANSON: Surely, I think there is no doubt about it. The public, when they criticize the National system, very often lose sight of that fact. I know what it is in my own little province. Take all those dead branch lines; they did not cost so much, but there is the cost of operation.

Mr. VAUGHAN: Take one line in particular, the St. John's-Quebec, which runs up the St. John valley, we had to assume the interest on the bonds. That line was promoted, I think to some extent, by the New Brunswick government; the dominion government took it over and we have a loss on that short line of approximately \$500,000 a year.

Hon. Mr. HANSON: I am surprised to hear it was so large.

Mr. VAUGHAN: It is a loss in operation of perhaps \$200,000 and interest charges on nearly \$300,000.

Hon. Mr. HANSON: And the public ought to realize that that railway was built under pressure from the people. I know all about it.

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: And it was done to rectify what was considered an injustice to the province when the transcontinental was located back through the woods.

Mr. VAUGHAN: We assumed interest on \$6,000,000 of bonds on that branch.

Hon. Mr. HANSON: The provincial government retains part of it yet.

Mr. VAUGHAN: The Gaspé line of 200 miles was very much the same. These have all come in since the Canadian National Railways was formed.

Mr. DUBUC: How much is now rectified by depreciation?

Mr. VAUGHAN: None of it is rectified by depreciation.

Hon. Mr. HANSON: That is a dead weight debt.

Mr. DUBUC: Mr. Vaughan has told us that they reduced the capital, and there is the loss which has disappeared with the capital.

Hon. Mr. HANSON: You wrote off the operating deficit and transferred that from the railway indebtedness to the general indebtedness of the country.

Mr. VAUGHAN: Yes, plus interest charged by the government on those deficits.

Hon. Mr. HANSON: You are not able to give us what part of your increase is due to the war?

Mr. VAUGHAN: I am afraid I cannot do it.

Hon. Mr. HANSON: It must be very large. If in the case of the T.C.A. it was 70 per cent it should be safe to say that the increase would be around \$75,000,000, although I think it would be much more than that.

Mr. VAUGHAN: I think it would be fair to say that the increase would be at least \$75,000,000 due to the war.

Hon. Mr. HANSON: The government of Canada itself must pay much more than that a year.

Mr. DONNELLY: The average has been \$230,000,000 and now it has gone up to \$375,000,000.

Mr. VAUGHAN: Yes, of course, but we went through some very depressed years from 1929 on, and they were hardly normal years.

Hon. Mr. HANSON: Quite so.

Mr. HANSON (Skeena): I think the differential between the revenue in 1938 and the revenue this year would be the differential between peace time and war time.

Mr. VAUGHAN: Except that 1938 was hardly a normal year. The traffic was little less than normal, and there was a great deal of unemployment in 1938.

Hon. Mr. HANSON: 1937 would be a better year.

Mr. HANSON (Skeena): Take 1937—one of the normal years.

Mr. VAUGHAN: Gross revenues reach \$375,000,000, averaging over \$1,000,000 per day. Net revenue, after the payment of all operating expenses, was \$86.6 million, an increase of \$20,000,000 over the previous year. The cash surplus, after payment of taxes, interest paid to the public and to the government, was \$25,000,000, an increase of \$21,000,000 over 1941.

Hon. Mr. HANSON: Let us stop there. What was your operating ratio?

Mr. VAUGHAN: It is given in the report on page 6; it was 76.93 per cent.

Hon. Mr. HANSON: That is the best record you ever had?

Mr. VAUGHAN: Yes.

Mr. DONNELLY: What was it last year?

Mr. VAUGHAN: 78.12.

Hon. Mr. HANSON: And in the bad years it was the same?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: How does it compare with the class one railways in the United States?

Mr. VAUGHAN: I will answer that question for you a little later; I think we have the information here some place.

Mr. JACKMAN: Would you give us the operating ratios of the three or four other railways in the States that have other indebtedness than we have?

Mr. VAUGHAN: We can do that, although it would probably be an unfair comparison, because we do not have the breakdown of their accounts.

Hon. Mr. HANSON: Have they a standard system of accounting?

Mr. JACKMAN: No, they have not.

Mr. VAUGHAN: We follow the I.C.C. system. Of course, we have many subsidiary departments and outside operations that the railways in the United States have. We operate express companies and commercial telegraphs. The expenses of those companies are included in our revenues and expenses.

Hon. Mr. HANSON: This is a consolidation, is it?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: We cannot get a true picture of the railways.

Mr. VAUGHAN: You are getting it so far as we are concerned, Mr. Hanson, because all these properties are included in the railway operations.

Hon. Mr. HANSON: They are included in the whole Canadian National system, but my experience is that we get the subsidiaries and affiliated companies separately and then consolidate them.

Mr. VAUGHAN: These are really not affiliated companies; they are departments of the Canadian National Railways so far as we are concerned.

Hon. Mr. HANSON: Express; do you treat that in the same way?

Mr. VAUGHAN: Yes, that is a department of the railway. I think with the Canadian Pacific Railway the Canadian Pacific Express is a separate company, and, perhaps, their telegraph company is, too. Our branches are railway operations.

Hon. Mr. HANSON: They are departments?

Mr. VAUGHAN: Yes, they are departments.

Hon. Mr. HANSON: How long has that obtained?

Mr. VAUGHAN: A number of years; I do not recall how long.

Mr. COOPER: Our express service is treated as a department of the railway under a special Act of Parliament. I think it is fair to say that considering the nature of the express business, it is more correctly shown as a railway operation than as a separate operation.

Hon. Mr. HANSON: I would not argue the point with you, because I have not considered it. I am rather surprised that any comparison you might make between this railway system and any other railway system is not comparable because you have not got the same set-up.

Mr. COOPER: It is quite comparable, sir, except with respect to express and telegraphs. Our separately operated companies, which are not rail transportation companies, are not included either in our revenues or expenses.

Hon. Mr. HANSON: There is a limitation on what I had in mind?

Mr. COOPER: Yes.

Hon. Mr. HANSON: The railway includes express and telegraphs but not your other companies such as coal mines?

Mr. COOPER: That is correct.

Hon. Mr. HANSON: With that exception they are similar?

Mr. COOPER: They are quite comparable; and I would like to emphasize that our accounts are kept in accordance with the regulations of the Interstate Commerce Commission.

Mr. DONNELLY: Would you say that an operating ratio with regard to your company would be comparable with the American roads if they had different freight rates?

Mr. COOPER: I think if they had the same geographical conditions, climatic conditions, and the same traffic conditions—

Mr. DONNELLY: They have higher freight rates, and the ratio would not be comparable.

Mr. VAUGHAN: They have nothing like the climatic conditions which we have, and there are so many things which might enter into a ratio: the amount charged for, perhaps, deferred maintenance and the amount written off; you would have to have a breakdown of their situation as compared with ours; although there is no question that most of the railroads in the United States—at least many of the big railroads—have a lower operating ratio than we have. For instance, we had to bring into this country last year five million tons of coal, and in freight and duty alone, without the cost of the coal, we paid approximately \$3 a ton on the average.

Hon. Mr. HANSON: That is one of the handicaps. Are your wage rates the same as theirs or lower?

Mr. VAUGHAN: I think, perhaps, if you take the wages by and large that our rates are a little lower than theirs.

Hon. Mr. HANSON: How do their passenger rates compare with yours, are they lower?

Mr. VAUGHAN: I think their average passenger rate is higher than ours.

Hon. Mr. HANSON: My recollection is that in some parts of the United States the mileage rate is lower than it is in Canada.

Mr. VAUGHAN: There may be individual cases of that kind, but taking it as a whole their average passenger rates are higher than ours.

Mr. DONNELLY: And their freight rates are quite a little higher.

Mr. VAUGHAN: Their average per ton-mile rate is higher than ours by, I think, from 8 to 10 per cent.

Hon. Mr. HANSON: I think that is right. Before we leave this, the nearest you can get to a comparison is with the Canadian Pacific, and they do not like that.

Mr. VAUGHAN: I do not think it is fair to compare us with the Canadian Pacific. I would like to make this clear that we try to keep away from saying anything about the C.P.R. so far as we can. We are good neighbours.

Hon. Mr. HANSON: And get along pretty well.

Mr. VAUGHAN: We try to mind our own business without saying anything about them but, on the other hand, I do not think it is fair to compare us with them unless you have their accounts, and Touche and Company examine their accounts and, of course, it would be unreasonable to do that because they are a private company and that is their private business.

Mr. DONNELLY: It is a good thing to have one company watch the other.

Hon. Mr. HANSON: The public inevitably make a comparison between the two. The operating ratio of the Canadian National has been higher than the C.P.R. I am trying to help you. You have handicaps that they have not. You have barren territory that they have not.

Mr. VAUGHAN: We have many thousands of miles more of lines with unprofitable mileage to operate than they have.

Mr. PARENT: The C.P.R. get a lot of government business.

Mr. JACKMAN: Mr. Chairman, you may recall last year in the report of the committee to parliament we recommended that a system of uniform accounting be adopted in this country but, owing to the tremendous shortage of clerical help, etc., the carrying out of that recommendation be deferred until after the war is over. Is that not so?

The CHAIRMAN: That is true.

Mr. JACKMAN: Because we do want to get some standard of comparison so that we may know how the C.N.R. is doing.

The CHAIRMAN: I think it has been recommended by our auditors for some years that we have a standard form of accounting.

Hon. Mr. HANSON: That is by Touche and company.

The CHAIRMAN: Yes.

Mr. VAUGHAN: There are several reasons why the C.P.R. should do better than we can. In the first place we have many thousands of miles more of unprofitable lines to operate. In the next place our fixed charges are over double theirs; they have 20 odd million dollars against our 50 million dollars. In the third place we have no outside revenue like they have.

Hon. Mr. HANSON: I think that is a very sound statement. I should say, you are quite correct on all three, and you are not to blame for it either.

Mr. VAUGHAN: No.

Mr. JACKMAN: Before we leave it this year we have an increase of \$25,000,000 in cash surplus over last year. What was the estimate last year that was brought forward?

Mr. VAUGHAN: When we appeared before this committee last year we said we thought we would do as well in 1942 as we did in 1941 and have five or six million dollars surplus.

Hon. Mr. HANSON: That was very conservative.

Mr. JACKMAN: You did not say anything at all then last year.

Hon. Mr. HANSON: Business was accelerating. Have you reached your peak?

Mr. VAUGHAN: I do not think we have. I would not say we have reached the capacity of our transportation machine. We are hard pushed here and there, but I do not think we have reached the capacity of our machine yet.

Hon. Mr. HANSON: You will take on a little more business?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: Whether you can do it or not.

Mr. VAUGHAN: Yes, we are always looking for more business. We do have difficulties particularly at weekends, with passenger travel.

Hon. Mr. HANSON: I guess we all have that. I have felt that myself.

Mr. NICHOLSON: Can you make any estimate as to the percentage increase you can handle with your present facilities?

Mr. VAUGHAN: That would be difficult. It would depend whether it was long haul or short haul traffic, and the character of the traffic.

Hon. Mr. HANSON: Mr. Vaughan, is it not a fact that you are pretty hard pressed and if you take on very much more it would be at the danger of safety in the passenger service?

Mr. VAUGHAN: Our business is limited more at the present time by equipment than otherwise.

Hon. Mr. HANSON: Locomotives?

Mr. VAUGHAN: Locomotives and cars, but we are hoping to get some more locomotives and some more cars.

Mr. EMMERSON: A slight increase may have occurred in some sections, and in other areas you have reached what you might call saturation?

Mr. VAUGHAN: On some sections we are nearly up to capacity, but I would not say we are up to actual capacity on any section yet so far as the railway is concerned. We are limited by equipment to a certain extent.

Hon. Mr. HANSON: I suppose in the west you are not up to capacity. There is no large movement there?

Mr. VAUGHAN: No, and we have a line which we are operating from Nakina east to Hervey junction which is not doing a great deal of business even to-day.

Hon. Mr. HANSON: It is a spotty condition?

Mr. VAUGHAN: Yes.

Mr. NICHOLSON: You have advertised a great deal with a view to having shippers fill up box cars to capacity. What results have you had from that campaign?

Mr. VAUGHAN: We have had very good results. Shippers have co-operated very well with us and that has given us the use of many more cars.

Mr. JACKMAN: This may not be the appropriate place to bring it in but, advertising having been mentioned, what is the purpose of those joint advertisements which you are putting in along with the C.P.R.? Nobody likes to say very much about advertising, perhaps because of our friends in the press, but nevertheless it does use up a tremendous amount of pulpwood and it is pretty costly to the taxpayers to have these adds go in.

Hon. Mr. HANSON: Have a heart, the newspapers have got to live.

Mr. VAUGHAN: It was thought by the railways this was an opportune time to carry on these advertisements. I have got Mr. Thompson here, the manager of our public relations and publicity department, I think he can make a statement to you on it.

Mr. JACKMAN: I do not see that it helps the country very much. I will put it that way. It may help the railway a little bit.

Mr. VAUGHAN: The railways have endeavoured to point out to the public some of their difficulties, and they have also endeavoured to point out to the public some of the things we have done to meet this emergency.

Mr. JACKMAN: It was a good-looking ad, and well done by the artist, but the only real message was contained in two lines with small bold faced type, "Please do not ride over weekends", but the rest of it was just pure publicity.

Hon. Mr. HANSON: Propaganda.

Mr. JACKMAN: Have you increased your advertising appropriation for this year over last year? How does it compare with normal years?

Mr. VAUGHAN: Our advertising appropriations are away down below normal years. Our appropriation for 1943 is just about the same as it was last year. Referring to page 18, in 1942 our advertising expense was \$361,000 against \$555,000 in 1941.

Hon. Mr. HANSON: That is small.

The CHAIRMAN: Would it be possible at all to incorporate that Nakina line east in a second transcontinental line connecting up such terminations as Longlac, Port Arthur and Winnipeg?

Mr. VAUGHAN: If there was business demanding it we could send a lot more traffic over the line from Nakina east to Hervey junction, but we are able to handle the business over our line which runs from Nakina down through Longlac and Capreol into Toronto and Ottawa, and down that way.

Hon. Mr. HANSON: On this question of publicity the railways feel it is good business to maintain proper public relations, not only with the public but with the press. My observation over a good many years is that unless it is

political there is very little criticism of railways in the public press. That is a correct statement, is it not, Mr. Vaughan?

Mr. VAUGHAN: It is true there has not been very much criticism from the press but we hope there has not been any particular reason for it.

Hon. Mr. HANSON: You just reach out and take them into your bosom. I think I know the technique pretty well. I have watched it over a good many years.

Mr. HANSON (*Skeena*): Let us proceed.

Hon. Mr. HANSON: I wish I could get it in my political career.

The CHAIRMAN: We will proceed.

Mr. VAUGHAN: The company's locomotives travelled....

The CHAIRMAN: You are on page 3.

Mr. VAUGHAN: I am ahead of my story.

RESULT OF OPERATIONS

	1942	1941	Increase or Decrease
Operating Revenues	\$375,654,543 40	\$304,376,778 12	\$71,277,765 28
Operating Expenses	288,998,674 72	237,768,437 13	51,230,237 59
Net Operating Revenue.....	\$ 86,655,868 68	\$ 66,608,340 99	\$20,047,527 69
Other Income and Profit and Loss Accounts	12,610,407 85	12,247,025 13	363,382 72
Net Income Available for Interest	\$ 74,045,460 83	\$ 54,361,315 86	\$19,684,144 97
Interest on Funded Debt held by Public	34,949,557 92	44,698,226 88	9,748,668 96

Hon. Mr. HANSON: Is that due to the fact that you bought in a large part of these securities?

Mr. VAUGHAN: It is due to these vested securities. You will notice loans to the government are up and the loans to the public are down.

Interest on Government Loans...	\$14,032,634 59	\$ 5,646,762 24	\$ 8,385,872 35
Cash Surplus	\$25,063,268 32	\$ 4,016,326 74	\$21,046,941 58

Hon. Mr. HANSON: If you paid income tax what would become of your cash surplus under present-day conditions on 1942 account? Would you have any surplus?

Mr. VAUGHAN: It would be reduced. Our position, of course, is this: while we do not pay any income tax, we pay everything that we earn back to the government. We have given the government a cheque for the \$25 million surplus.

Hon. Mr. HANSON: I am not criticizing, I am trying to suggest this, that the National Railway system, if put on the basis of a privately-owned corporation with comparable earnings and expenses, would not show a cash surplus of \$20 million or anything like it.

Mr. VAUGHAN: You have in mind, of course, that the excess profit tax, etc., would take a large portion of that.

Hon. Mr. HANSON: I have in mind the laws of this country would compel you to pay as it compels me to pay into the treasury for the support of the war.

Mr. VAUGHAN: Yes; as against that, Mr. Hanson, if we were a privately-owned company we would not have \$50 million fixed charges; some of these railways would have gone through the wringer long ago and we would have fixed charges of perhaps \$15 million, and we do not get a subsidy for operating colonization lines such as the railroads do in Australia and some other countries.

Hon. Mr. HANSON: Your cost of funded debt comes off before you strike a proper balance sheet?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: That argument is washed right out. I agree that there is a good deal in your contention that you have been loaded up with a lot of things, and I sympathize with that position, nevertheless the public ought to understand—I hope this will get out to the press and not be suppressed—that if this system were paying income tax this cash surplus, which, of course, is a very fine surplus, would largely disappear. In other words, you would not be benefiting from the war as everybody else is not.

Mr. VAUGHAN: I suppose if we paid income tax we would have to pay around 40 per cent.

Hon. Mr. HANSON: Of your net.

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: It depends on what your basis would be.

Mr. VAUGHAN: We figure it would be around 40 per cent.

Hon. Mr. HANSON: Certainly you would be entitled to be classed as a depressed industry in the base period.

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: There is no doubt about that.

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: That would be 40 per cent of \$25 million, \$10 million.

Mr. VAUGHAN: That is correct.

Mr. NICHOLSON: If you had taken over the railways on the basis on which it would have been bought up by a private firm, what would be the difference in the fixed charges that would be paid?

Mr. VAUGHAN: That is very difficult to say. Take the C.P.R.; all their lines in the United States have been in the receiver's hands, lines like: Duluth, South Shore and Atlantic, Soo line, Wisconsin Central and Spokane International. The Soo line has gone through receivership and their fixed charges will be about one-fifth or one-quarter of what they were before.

Hon. Mr. HANSON: Maybe we made a mistake in that regard, but I was not here and you were not here.

Mr. VAUGHAN: That was not my problem.

Hon. Mr. HANSON: In the old days the defence was, it was in war time. That was the reason or the alibi, I do not know which. It was not done because the country was at war, but because it was thought that it would be a reflection on the national credit. Now, if our foresight had been as good as our hindsight the country might have acted differently.

Mr. VAUGHAN: You recall the bonds of the privately-owned companies were guaranteed either by the dominion or provincial government; they did not have much alternative.

Hon. Mr. HANSON: Yes, I quite agree; that was an additional reason. They could not let the provincial governments go broke.

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: The federal government might have stood up against the emergency, but the provincial governments probably could not.

Mr. VAUGHAN: Unfortunately, that burden is on our shoulders for all time.

Hon. Mr. HANSON: Yes, it is a sad situation. The bondholders were saved. Of course, that gives our friends the C.C.F. another argument against private—

Mr. JACKMAN: They are not against government funds.

Hon. Mr. HANSON: Not against government funds.

Mr. JACKMAN: What rate do you pay the government on these government loans which are replacing—

Mr. VAUGHAN: Three and one-half per cent.

Mr. JACKMAN: What is the average rate, approximately, on the securities you are getting from the old country?

Mr. COOPER: We come to that later in our report; we saved about one million dollars a year as a result of repatriation.

Hon. Mr. HANSON: A good operation.

Mr. JACKMAN: There is one other question I should like to ask. I am now referring to the line, "Other income and profit and loss accounts, \$12,610,407.85 as against \$12,247,025.13." That is a relatively small increase percentagewise as compared with the increase in the net operating revenue of the railway system. Are there any particular items to point out or any particular reason why they have not gone up relatively as much as the income of the railway system?

Mr. COOPER: Mr. Chairman, we can deal with that now, but it is dealt with later on in another section of the report.

Mr. VAUGHAN: Shall I proceed?

The CHAIRMAN: Yes.

Mr. VAUGHAN:

The year's operations gave further proof of the value of the Canadian National System to the nation. The greatly increased demands of the armed forces, of the war industries, and of the civilian population for transport, communications and other services, were fully met, and the Company markedly extended its own production of ships and munitions.

One of the problems was to handle the great volume of business without large increases in equipment and personnel, the supplies of which were difficult to obtain. Many measures were taken to meet this situation, and new records of performance were established.

There was an increase, as compared with pre-war records, in the daily mileage made by cars and locomotives, in the tonnage of the average freight train, and in the tonnage of freight loaded into the average car.

Hon. Mr. HANSON: I have not been able to read this thing before, and consequently have not made a study of it. Would it be permissible in the national interest to tell us the company's production of ships and munitions?

Mr. VAUGHAN: I can say this in a general way, that we have built a number of minesweepers and 10,000-ton cargo boats at our Pacific coast shipyards. We are building guns and gun carriages in the National Railways munitions plant and building some secret devices in our shops.

The Company's locomotives travelled 90 million miles, in one important group the locomotives averaging 375 miles per day throughout the year.

Hon. Mr. HANSON: Have you been able to keep up your maintenance at the increased rate?

Mr. VAUGHAN: Generally speaking we have been able to keep all our locomotives sufficiently maintained to keep them in safe running order, but perhaps some heavy repairs on those locomotives have had to be deferred, but it has not impaired the immediate efficiency of the locomotives.

Similarly, an increase in the serviceability ratio improved the freight car situation by 3,900 units as compared with 1939. New freight cars obtained numbered 1,163, bringing the system's total to 90,353.

The increased passenger traffic was handled by increasing the number of trains, the length of trains, and the daily mileage made by passenger cars. The passenger transportation service to war plants has become of increasing importance, and each day the Canadian National is transporting 20,000 workers to and from these plants. Twenty-five new and 106 second-hand units of passenger equipment were purchased during the year.

Mr. JACKMAN: Did you get the second-hand ones from the States again?

Mr. VAUGHAN: Yes. We got those from the States, from the Pullman Company.

Hon. Mr. HANSON: I have noticed a great many wooden cars. I have often thought there was great danger in using them. You do not use them in your through-express, of course.

Mr. VAUGHAN: No.

Hon. Mr. HANSON: Only once in a while you see them.

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: Is that not a pretty dangerous practice?

Mr. VAUGHAN: They are always placed in positions in the train where the danger will be least.

Hon. Mr. HANSON: You put them at the end.

Mr. VAUGHAN: We do not put wooden cars in between steel cars.

Hon. Mr. HANSON: I hope the day will come when we will not have any more wooden cars.

Mr. VAUGHAN: There were very few of those cars in the service before the war. But all railroads have had to press into service every bit of usable equipment that they had.

Hon. Mr. HANSON: They have a car on the eastern branch between Fredericton and Newcastle which, I am told—

The CHAIRMAN: Louder, please.

Hon. Mr. HANSON: I am told it was brought over from the island and changed to standard gauge, and that it was made before confederation.

Mr. DONNELLY: Came over with the *Mayflower*.

Hon. Mr. HANSON: Yes. I had thought of writing to Mr. Appleton about it, but after all—

Mr. VAUGHAN: We will take them off after the war.

Hon. Mr. HANSON: I will never ride in it.

Mr. JACKMAN: Have you had to ask for, or has there been any amelioration of the rules governing railway traffic to enable you to use old equipment, by the governing body?

Mr. VAUGHAN: No.

Mr. JACKMAN: By the Board of Transport Commissioners?

Mr. VAUGHAN: No. There has been no alteration in the safety measures as laid down by the Board of Transport Commissioners.

Mr. JACKMAN: There is a provision you have under the I.C.C. for the braking system.

Mr. VAUGHAN: Yes.

Mr. JACKMAN: Under the I.C.C. it was ten years.

Mr. VAUGHAN: Yes.

Mr. JACKMAN: I believe that has been postponed.

Mr. VAUGHAN: We are equipping the cars that go through the shops with the new brakes as we can get them; and we have equipped a tremendous number

of cars with those new brakes. Also we have practically no cars left with the old arch bar trucks. We have cast steel trucks on all our box cars.

Mr. JACKMAN: As far as the railway is concerned, the program has been carried out as if there was no particular difficulty.

Mr. VAUGHAN: That is correct, to the extent that we can get the material.

Hon. Mr. HANSON: That is a very real problem, the obtaining of material.

Mr. VAUGHAN: It is a problem, but we have been reasonably successful so far.

Hon. Mr. HANSON: You got the steel for the Montreal terminals all right.

Mr. FERLAND: Mr. Chairman, if you will permit me, I should like to ask a question. You mentioned that each day the Canadian National transported 20,000 workers to and from the war plants.

Mr. VAUGHAN: Yes.

Mr. FERLAND: Do those workers get free transportation?

Mr. VAUGHAN: Not so far as we are concerned, no. We make a deal with the industry involved, and the industry makes a deal with its workers.

Mr. FERLAND: So far as the Canadian Car and Munitions is concerned, the workers coming from Montreal get free transportation on your cars?

Mr. WALTON: No. We are paid by the industry. There is a regular schedule of charges based on the number of cars in the train, the number of trains running and the distance.

Mr. FERLAND: They get a pass?

Mr. WALTON: I do not know what the employees' arrangement with the industry is, but the railway gets paid by the industry according to a pre-arranged schedule of charges, which is the same for each.

Mr. FERLAND: But to travel on your road to the industry, they have a pass from the railroad to establish their identity?

Mr. WALTON: Yes. They have to establish their identity. In some cases this is what is done. Their button which allows them to go into the plant is their identification for the train. Then the responsibility rests on the officials of the industry to see that unauthorized people do not ride. But we do not collect individual fares.

Hon. Mr. HANSON: The cost, of course, comes out of the individuals. It does not come out of the government.

Mr. WALTON: One reason for that arrangement was that on some of these quite short trips there would not be time to actually collect the fare from each passenger.

Hon. Mr. HANSON: Quite so. Then, of course, they wanted service for the workers, and they had to make arrangements to get them to work.

Mr. WALTON: That is right.

Mr. VAUGHAN: I might mention some of these services:—

Quebec—Val Rose.. . . .	15	miles
Winnipeg—Cordite.. . . .	9.3	miles
Montreal—Fairchilds.. . . .	9.9	miles
Maisonneuve—Cherrier.. . . .	13.7	miles
Parkdale—Magor.. . . .	12.14	miles
Chicoutimi—Arvida.. . . .	5.5	miles
Prince Rupert—Port Edward.. . . .	8.6	miles

Those are some of the workmen's services which we operate.

Hon. Mr. HANSON: Those are considered to be a national service and the government bears the cost in order to get the men there and back and keep in production.

Mr. WALTON: I presume it is the only way the industry could get these men there.

Mr. EMMERSON: Is it not true that on some of your trains you use more than one conductor. On account of the traffic you have to use larger train crews.

Mr. WALTON: Yes, that is quite true. We have had to do that.

Mr. EMMERSON: In collecting the fares there is an assisting conductor?

Mr. WALTON: It is a common practice on the various roads, where the number of people are beyond a certain figure, that what is called an "assistant conductor" is used.

Mr. EMMERSON: In order to be able to collect the fares?

Mr. WALTON: Yes.

Mr. VAUGHAN: We want to see that we get all the fares that are coming to us.

Mr. EMMERSON: In the matter of longer mileage for locomotives, what is the practice, for instance, on through trains, such as through freights—that is fast freights—and through passenger trains? Do the locomotives go beyond the divisional points that they used to have when engines were changed? Do they run right through, just changing the engine crews?

Mr. VAUGHAN: That is correct. For instance, on our passenger trains from and to Halifax we run one engine from Montreal to Halifax.

Mr. EMMERSON: Is that done on the freights?

Mr. WALTON: No.

Mr. VAUGHAN: No, not on the freights.

Mr. EMMERSON: Just on the passenger.

Mr. WALTON: There are some difficulties in connection with the freight operation that are not present in the passenger, such as changes of tonnage capacity and so on. Generally speaking, you cannot extend the long engine run to the same extent as a freight that you can on the passenger by reason of the nature of the engine and other conditions.

Hon. Mr. HANSON: Are you able to clean them at any point?

Mr. WALTON: Yes. The fire is cleaned and they are coaled and watered and the engine crews changed—a direct change from one engine crew to another—and the engine continues on.

Hon. Mr. HANSON: And it has worked out all right?

Mr. WALTON: It has worked out all right. There is the odd time in severe weather when an engine has to come off at one of these intermediate points. But, generally speaking, it works all right. In fact, our mechanical people tell us that the fewer times you have to knock the fire out of the engine, the less damage there is to the fire box tubes and so on.

Hon. Mr. HANSON: I know of one exception. There was a case, I understood, of a wreck at Jacquet river, or somewhere, where the engine had not been cleaned at Campbellton due to the lack of time; at least that was the report from Campbellton.

Mr. WALTON: I do not recall the case.

Hon. Mr. HANSON: They ran into a freight train. No, it was a freight engine. Perhaps I should not refer to that now, because I am not quite clear about it in my own mind.

Mr. WALTON: I do not remember any such circumstance.

Mr. VAUGHAN: I do not remember any such occasion.

Hon. Mr. HANSON: I remember the incident but I am not just quite sure in my mind as to the particulars. It is very interesting to hear that you are running your engines straight through from Halifax to Montreal.

Mr. WALTON: Actually the longest run we have is from Winnipeg to Edmonton.

Mr. VAUGHAN: In reality that same engine goes through to Jasper.

Mr. WALTON: So the length of the run without any other than intermediate attention is over 1,000 miles.

Hon. Mr. HANSON: They are very good engines. There is no doubt about it.

Mr. VAUGHAN:

Meeting the demands for wartime service is the company's main contribution to the war effort. Any credit for the success attained in the face of limitations of material and manpower must be shared with the company's staff, its patrons and the governmental agencies, all of whom have been quick to understand the railway's problems and have given their wholehearted support.

Difficulties in obtaining railway supplies and equipment are, however, increasing as the war goes on, and it is the view of the directors that the provision of priorities to enable the railway to maintain its operating machine in an efficient state will continue to be of vital importance.

Mr. JACKMAN: This tribute to the men in the company's service is undoubtedly well deserved, particularly in view of the fact that so many men have enlisted. One sometimes wonders how you are able to carry on. You have had 10,000 or 15,000 of your men join the armed forces and yet you are handling this tremendous increase in traffic. I am just wondering how some of the old union rules which were put in, probably in an endeavour to spread the work, are operating at the present time.

Mr. VAUGHAN: I think perhaps Mr. Walton could tell you some instances.

Mr. WALTON: I have seen the articles which have been appearing in some of the magazines with respect to the so-called "feather-bedding" rules in the United States. I would say that we have very little of that in Canada. One provision over there, which is a state law in certain of the states, is in regard to a third brakeman on trains. We do not have that position here.

Hon. Mr. HANSON: Is that on freight or passenger?

Mr. WALTON: That was on freight. Some of their other regulations that work against the best operation we are not faced with. In regard to other conditions, during the depression the men voluntarily agreed through their brotherhoods to reduce the number of miles—these men are all paid on a mileage basis—in order to spread the work. That has definitely been taken up now. Any restrictions which were put on with a view to spreading the work substantially have been withdrawn—I say, substantially. There may be the odd location where work still is at a minimum in outlying districts, some place where restrictions of that kind still remain.

Hon. Mr. HANSON: But all the slack has been taken up?

Mr. WALTON: Yes, generally speaking.

Mr. JACKMAN: How far does a locomotive engineer drive for a day's pay?

Mr. VAUGHAN: They usually are limited to division points; but occasionally an engineer may work as much as sixteen or eighteen hours in the day, but then he is given sufficient hours off in which to get thoroughly rested before he is put on service again.

Mr. WALTON: The average trip would be probably 150 miles, from terminal to terminal.

Mr. JACKMAN: What I want to get at is this. In some of these articles in the press I have seen it stated that the workers, on account of the arbitrariness of their rules, receive at times unreasonable rates or double the amount of pay. For instance, they run 150 miles or 300 miles for a day, and if they happen to

go 310 miles they must be paid, for that extra 10 miles, the same amount as they received for the 300.

Mr. WALTON: No, there are no cases of that kind here. There is something to be said for the double pay. For instance, if a man, say, has a run of 150 miles on a passenger train and then, due to some emergency, we require to put him on a freight train, he then begins another day; and I do not think you can find much fault with his receiving another day's pay for that.

Hon. Mr. HANSON: I would think it would be perfectly justified, because he begins a new day.

Mr. EMMERSON: Has there been any change in the compulsory retirement age?

Mr. VAUGHAN: No. Our compulsory retirement age is 65; but I should clarify that to this extent, Mr. Emmerson. In connection with our telegraphers, shop men, conductors, engineers, etc., in view of our urgent need of them, we continue these men on beyond the 65-year age limit, providing they pass a medical examination.

Mr. WALTON: That is in terms of extending the man-power as far as reasonably possible.

Hon. Mr. HANSON: In connection with the man-power question, you have had, of course, to take on a great many new people, have you not?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: And I understand you have been calling up the junior men. How have you been getting along with national selective service in that respect?

Mr. VAUGHAN: Mr. Coleman and myself have recently made certain representations to the labour department in connection with the selective service, and I think our suggestions will probably meet with favour; and if they do, we do not anticipate any difficulty.

Hon. Mr. HANSON: Are you able to say what those were?

Mr. VAUGHAN: What we did, Mr. Hanson, was to specify certain positions that we considered to be essential, stating that in our opinion men who were engaged in those positions should not be drafted for war service.

Hon. Mr. HANSON: Did you make any representations against voluntary enlistment?

Mr. VAUGHAN: No, sir.

Mr. EMMERSON: And you had to make some changes in regard to the age limit of young men coming in?

Mr. WALTON: Yes. We have had to rearrange our age limit so that new employees could be accepted in order to man the service.

Hon. Mr. HANSON: That was because of the regulation.

The CHAIRMAN: Gentlemen, if you have no objection, we will meet again tomorrow morning at 11 o'clock.

Mr. EDWARDS: Mr. Chairman, I should like to file, for the information of the committee, the exchange of notes regarding the international aviation arrangement.

The CHAIRMAN: Those will be included in the report (*See Appendix "A" of Minutes of Proceedings and Evidence of March 30, 1943.*)

The committee adjourned at 1:00 o'clock p.m. to meet again at 11:00 o'clock a.m. tomorrow, April 1st, 1943.

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SESSION 1943

HOUSE OF COMMONS

STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

THURSDAY, APRIL 1, 1943

WITNESSES:

Mr. R. C. Vaughan, Chairman and President, Canadian National Railways.

Mr. N. B. Walton, Executive Vice-President, Operation and Construction Departments, Canadian National Railways.

Mr. T. H. Cooper, Comptroller, Canadian National Railways.

Mr. O. A. Matthews, of George A. Touche & Co., Auditors.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1943



MINUTES OF PROCEEDINGS

THURSDAY, April 1, 1943.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 11 o'clock a.m., the Chairman, Mr. Howden, presiding.

Members present: Messrs. Donnelly, Dubuc, Durocher, Emmerson, Ferland, Gray, Hanson (*Skeena*), Hanson (*York-Sunbury*), Howden, Jackman, McCulloch, Michaud, Nicholson, Parent, Pouliot, Ross (*Middlesex East*), Sanderson, Shaw, Sissons.

In attendance: Commander C. P. Edwards, Deputy Minister of Transport, Mr. R. C. Vaughan, Chairman and President, Canadian National Railways, Mr. N. B. Walton, Executive Vice-President, Mr. T. H. Cooper, Comptroller, and Mr. O. A. Matthews, of George A. Touche & Company, Auditors.

The Committee resumed consideration of the Annual Report of the Canadian National Railway System for the year ended 31st March, 1942.

Mr. Vaughan was recalled and further examined.

Messrs. Walton and Cooper were also briefly examined on questions relating more particularly to their respective departments.

At 1 o'clock p.m. the Committee adjourned until 4 o'clock this day.

AFTERNOON SITTING

The Committee met again at 4.45 p.m. Mr. Howden presided.

Members present: Messrs. Dubuc, Durocher, Emmerson, Ferland, Hanson (*Skeena*), Howden, Jackman, McCulloch, Michaud, Pouliot, Ross (*Middlesex East*), Sanderson, Shaw, Sissons.

Mr. Vaughan concluded the reading of the Annual Report of the Canadian National Railway System, this being followed by consideration of the Consolidated Balance Sheet at 31st December, 1942.

Messrs. Walton, Cooper and Matthews also gave evidence.

At 6.00 o'clock the Committee adjourned to meet again to-morrow, Friday, April 2, at 10.30 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

APRIL 1st, 1943.

The Standing Committee on Railways and Shipping met this day at 11 o'clock a.m. The Chairman, Mr J. P. Howden, presided.

The CHAIRMAN: Order please, gentlemen. We have a quorum and we can go ahead. We were dealing with the Canadian National Railways' report and we will proceed from where we left off yesterday.

Mr. VAUGHAN: I think we were on page 5 yesterday, just starting it.

The CHAIRMAN: Yes, proceed.

Mr. VAUGHAN:

The present indications are that the traffic of the railway in 1943 will exceed that of 1942. This will call for even greater effort, but the directors have confidence in the ability of the system to meet the demands made upon it.

The railway continues to be actively engaged in the manufacture of munitions of war, including guns and gun carriages. Cargo vessels of 10,000 tons are being built in the company's shipyards to meet wartime needs, and its drydock facilities are being used for repairs to ocean-going craft.

The average number of employees, including express and telegraphs but exclusive of hotel and subsidiary company employees, was 94,592 during the year. The total payroll was \$177,042,773.

Mr. DONNELLY: Is that much of an increase in the number of employees?

Mr. VAUGHAN: Yes. In 1941 we had 89,536 and that was increased by approximately 5,000 over 1940.

Mr. JACKMAN: How many of your employees have gone to the armed services, I presume it would be around 12,000 or 15,000?

Mr. VAUGHAN: From the railway alone, something over 10,000 have joined the armed services; and we have a good many of our people in the merchant marine service.

Mr. JACKMAN: It must be quite a problem to know what you are going to do about the men you are taking on now; and it will be even more of a problem when it comes to giving men who have returned from overseas their jobs back. What is your policy on that, your thought?

Mr. VAUGHAN: That is something we will have to deal with when we come to it. We have promised our men who have gone overseas that when they return their old positions will be waiting for them and that their seniority would not suffer.

Mr. JACKMAN: That is good.

Mr. VAUGHAN: We have also agreed to protect their pension status.

Mr. JACKMAN: That is fine. I think we are all heartily in accord with a policy of that kind. Have you made any promises to any of the people you are taking on the railways now as to what their prospects will be for continuing on after the war? Have you made any commitments?

Mr. VAUGHAN: No, sir, we have not done that in any case.

Hon. Mr. HANSON: How do you regard them, as temporary?

Mr. VAUGHAN: As temporary; and if we require them to continue after the war they will become permanent.

Hon. Mr. HANSON: You are going to have a problem when that arises. Have you given any consideration to or made any plans about doing your share of taking up the slack in unemployment in the nation; if as and when that time arrives?

Mr. VAUGHAN: We have given that matter a good deal of consideration, Mr. Hanson.

Hon. Mr. HANSON: All I can say is that if you have solved that problem you are entitled to your just reward.

Mr. VAUGHAN: When the War is over, and the urgent need for men no longer exists, our men over sixty-five, who have been retained in service during the War, will be retired and it may be that in order to take care of our younger men, we may have to retire some men below the age of sixty-five.

Hon. Mr. HANSON: Yes, that would be one factor; but they are still employable, are they not?

The CHAIRMAN: May I ask this question: I understand there is a working arrangement with the Railway Brotherhood that after a man is in the employ of the company for six months he becomes permanent automatically. How does that apply in regard to war?

Mr. VAUGHAN: That does not apply to them—if there is no place for them to work they will have to be released.

Mr. EMMERSON: But would they not retain their rights as to employment? They would still have their seniority. If you needed new men they would have first claim for employment when employment was available.

Mr. VAUGHAN: Oh yes, they would be senior to anyone who came in after them.

Mr. EMMERSON: That is what I understood, that they were callable when work was available for them.

Mr. VAUGHAN: We hope that when business is normal again that we will have a substantial reserve with which to catch up on maintenance.

Hon. Mr. HANSON: That will not be true of the running trade, that would be the mechanical trade?

Mr. VAUGHAN: That is correct.

Hon. Mr. HANSON: What is your big increase in, the running trades or the mechanical trades?

Mr. VAUGHAN: I will get those figures for you, Mr. Hanson. I think we have the figures some place and I will get them for you.

Hon. Mr. HANSON: You will agree with me, will you not, that the big problem in this country is embarking upon full employment after the war.

Mr. VAUGHAN: Yes, I entirely agree.

Hon. Mr. HANSON: What is the view of the Canadian National Railways as to its functions and duties—if I may use that term—towards fulfilling that adequately? I hope that the railway as a great national enterprise will use its best endeavours to adjust the question of employment so as to do its share toward that end, because I think that, notwithstanding all this talk about social security, employment is the fundamental thing that we must aim for in this country.

Mr. VAUGHAN: I think your are right.

Hon. Mr. HANSON: This institution has its part to play. You can hand out all the insurance money you like, but nothing will take the place of employment.

Mr. VAUGHAN: We dislike very much having to lay off men, but when our gross earnings are declining we must reduce our expenses.

Hon. Mr. HANSON: You have a problem there.

Mr. VAUGHAN: Unfortunately, that automatically brings about a reduction in the staff.

Hon. Mr. HANSON: Yes, there are no new enterprises on which you can embark; that is your limitation.

Mr. VAUGHAN: I do not know what the policy of the government will be after the war, but if they intend to carry on works in order to assist in taking up the slack of unemployment, and if they would allocate specific sums to the two large railways, I am sure we would see that the money was spent to the best advantage and in a way that would give the greatest amount of employment and provide useful facilities.

Hon. Mr. HANSON: Yes. Would you think it was part of your duty to lay plans towards that end and indicate policies to the government in that regard?

Mr. VAUGHAN: As a matter of fact, Mr. Hanson, we have a committee working on that.

Hon. Mr. HANSON: That is good. I am glad to hear it; because I hope this thing will not be left to the brain-trusters of the country; enterprise, business, has got to do 9/10ths of this job.

The CHAIRMAN: In the matter of railway replacements, it would make very little difference whether you made those yourselves or paid for them, there would be the same amount of labour in either case. Would there be any very great difference in cost? Would it cost you as much to build them as to buy them?

Mr. VAUGHAN: There is not much difference.

Hon. Mr. HANSON: If the facilities are not available and the cost is a factor, it would be better not to embark on new enterprises of that character?

Mr. VAUGHAN: If we were to start in on the wholesale building of equipment, we would need additional facilities and we do not want to spend the money that would be required for them.

Mr. McCULLOCH: Your equipment will be pretty well run down.

Mr. VAUGHAN: As I said yesterday, we are keeping our equipment in serviceable condition, but there will be some heavy repairs to be made after the war.

Mr. McCULLOCH: I understand there is a lot of steel that you cannot get now.

Mr. VAUGHAN: That is correct, it is very difficult to get steel.

Hon. Mr. HANSON: In your financial set-up are you privileged to lay up any reserve against that day when we will have to take up this additional maintenance and this repair work?

Mr. VAUGHAN: We set aside this year—at least, in 1942—\$12,500,000 for deferred maintenance which we have charged into our operating expenses. We will have that money available to spend later on and it will not at that time have to go into our expenses again.

Hon. Mr. HANSON: That is a good policy. I think that is very sound.

Mr. VAUGHAN: Yes.

Mr. DONNELLY: Can you give us any idea as to how many new men you have had to employ for military work, government work?

Mr. VAUGHAN: That would be very difficult to estimate. I think I better file with the committee a statement of the number of employees for the last

ten years or so. We have, for instance,—in response to your question—we have 1,900 men in our munitions plant in Montreal.

Hon. Mr. HANSON: Of course, that will automatically stop some day.

Mr. VAUGHAN: Quite.

Hon. Mr. HANSON: That is a subsidiary company, isn't it?

Mr. VAUGHAN: It is a government company.

Hon. Mr. HANSON: You are operating for them?

Mr. VAUGHAN: Owned entirely by the government; we are charging a fee for supervising the operation.

Hon. Mr. HANSON: Yes; you do not feel the same responsibility for them as you have for say railway employees.

Mr. VAUGHAN: No, we do not; although I want to say this, that a number of our own men had to be put into that plant to get it started.

Mr. JACKMAN: Loaned, so to speak.

Mr. VAUGHAN: I mean, expert mechanics.

Hon. Mr. HANSON: As to those employed in this munition factory; do they have any seniority rights on the road?

Mr. VAUGHAN: No.

Mr. JACKMAN: They are hired outside the railway?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: They are not railway employees.

Mr. VAUGHAN: No; but our railway employees who went in there to work temporarily will not lose their standing with the railway. Any new employees taken on will not be considered railway employees.

Mr. JACKMAN: Referring to that last paragraph which you just read, as to the number of employees in subsidiary companies; does that refer only to hotels, or to these crown companies you are running?

Mr. VAUGHAN: We do not put in any of the National Railway Munitions plant employees; we do not include any of the employees of Montreal Fruit and Produce Company or of the Montreal Stockyards—

Mr. JACKMAN: But all the hotels?

Mr. VAUGHAN: —or the persons at the Prince Rupert Dry Dock company or places like that.

Hon. Mr. HANSON: You do not include companies which you control as subsidiaries.

Mr. VAUGHAN: No.

Mr. JACKMAN: But you do include the hotels and your regular subsidiaries?

Mr. VAUGHAN: I will ask Mr. Cooper to answer that.

Mr. COOPER: No, sir. We do not include in the number of employees those engaged in ancillary services including hotels.

Mr. JACKMAN: Before you leave that particular paragraph entirely: with respect to the relationship between revenue and expense, is it very hard to find a standard of comparison between the C.N.R. either in this country or in the United States? I was wondering if you could say anything as to whether or not the C.N.R. has got as much, or more, or less of the gross revenue to net as compared let us say to the C.P.R. or to some of the large American railways. How much of your gross have you got to net relative to other railroads?

Mr. VAUGHAN: I think Mr. Cooper has some figures on that.

Mr. COOPER: Well, in comparison with the Canadian Pacific we had an increase in gross of \$71,000,000 of which \$20,000,000 was reflected in net.

Mr. JACKMAN: That is in the year—

Mr. COOPER: That is in 1942 as compared with 1941. The Canadian Pacific had an increase in gross of \$36,000,000 and they carried to net an additional \$11,200,000.

Mr. JACKMAN: Your gross you said was \$71,000,000—and how much did you say your net was?

Mr. COOPER: Our additional net was \$20,000,000.

Mr. JACKMAN: So the C.P.R. carried a third and you carried about 30 per cent—just a little bit less.

Mr. COOPER: The relationship is very similar, as a matter of fact.

Mr. JACKMAN: The C.P.R. had a net of a third of the \$36,000,000 gross; they had a net of \$11,200,000.

Mr. VAUGHAN: It is almost impossible to make comparisons with the C.P.R., unless we know what is included in their expenses, and unless they are quite comparable with ours.

Mr. JACKMAN: I realize that, but what we were talking about before was, is there any way of getting a comparison. After all, all of these differentials have been there in the past and now we have a war which brings about an increase. Could we not reach a reasonably fair basis of comparison?

Mr. VAUGHAN: We have no idea what amounts they charged into deferred maintenance or to other accounts. To-day we are charging into our accounts \$24,500,000—deferred maintenance, writing down inventories, extra depreciation and things of that kind; that is reflected in our operating ratio.

Hon. Mr. HANSON: They are a taxed company and you would expect them to charge all the traffic could bear.

Mr. VAUGHAN: I think they are capable of looking after themselves.

Mr. JACKMAN: If you had charged off items as reserve, for instance that \$24,000,000 figure, it would be good policy if you would put that in your revenue or in your income statement.

Mr. COOPER: Oh yes, it is all in our income statement.

Mr. JACKMAN: You have?

Mr. COOPER: Yes. I do not think what the company charges into its accounts is controlling as to what enters into taxable income. For example, we have taken up \$12,850,000 for deferred maintenance.

Mr. JACKMAN: Yes.

Mr. COOPER: Now, certainly if we were in the United States, the Internal Revenue department would not admit that item in computing taxable net income.

Mr. JACKMAN: You mean they would not allow it all?

Mr. COOPER: No.

Hon. Mr. HANSON: They would not?

Mr. COOPER: No. And I may add this, assuming we fixed in our judgment what we regard as the correct depreciation percentage, in turn the Internal Revenue department would restate those percentages, to what they considered were the correct percentages and in general amounts which they allow for tax purposes would be less than the carrier or company might think proper.

Mr. JACKMAN: In other words you might have carried a net that would have been greater than would have been allowed by the Department of National Revenue, with the result that your published statement would not conform with your tax statement. You would not be allowed to charge off so much, and you would have to carry more of a profit, would you not?

Mr. COOPER: No, I do not think the income tax people dictate what is reported in the company's accounts as revenue, expense, income, or anything else. For tax purposes they define what is taxable income and what are allowable deductions; and they may agree, or they may not agree, with what you include in your accounts.

Hon. Mr. HANSON: Oh yes, that is not a bad practice. Now I am speaking with proper reserve and with some deference; but I have been on a number of boards and I know we go into this thing very carefully, particularly the final accounts for the year; and the directors question them and they also question the treasury department as to how they will go with the income tax people, and they always say that this will be allowed and that will be allowed; and we never try to put anything into the shareholders' statement that we are not reasonably certain will be agreeable to the income tax people. You are taking the view that a private company's statement of accounts to shareholders is not controlled by that.

Mr. COOPER: That would be my general view, yes.

Hon. Mr. HANSON: Have you anything to base that on besides your opinion?

Mr. COOPER: My opinion is based on my experience with respect to our American railways.

Hon. Mr. HANSON: Oh, yes.

Mr. COOPER: We have to go before the International Revenue department in Washington and discuss these matters there.

Hon. Mr. HANSON: And they are a pretty hard-boiled lot.

Mr. COOPER: They are. Let us say in the matter of depreciation we decide on 4 per cent as being a correct charge to set up against locomotives. They might say to us it should be $2\frac{1}{2}$ per cent and they will strike out of our accounts for the purposes of taxation the $1\frac{1}{2}$ per cent which they consider excessive. After all, if a company were permitted to pay taxes on what it thinks is its net income, I don't know how you would be able to finance a war.

Hon. Mr. HANSON: We can draw our own inference.

Mr. VAUGHAN: I think, Mr. Hanson, it depends on the result the company wants to show.

Hon. Mr. HANSON: It is a legitimate thing when you are dealing with a taxing authority to make fair and reasonable deductions. I want to say that I never saw any crime in trying to keep down taxation on the part of anybody.

Mr. COOPER: We have reached the stage in our U.S. companies—and I think it is a general situation,—that we maintain two sets of accounts, one which is that of the corporation and the other to disclose the taxable income.

Hon. Mr. HANSON: That is not my experience.

Mr. COOPER: On that, sir, the taxable income permitted by the Internal Revenue department is generally more favourable to the government than the company's statement.

Hon. Mr. HANSON: I gathered that.

Mr. COOPER: So when you said it is not permitted here I think it would be the other way about. I think they would rather encourage the re-stating of the accounts for tax purposes on a more favourable basis than shown in the company's accounts.

Mr. JACKMAN: Mr. Cooper, may I ask you this? Let us take that particular item in regard to the establishment of a reserve to cover repairs and renewals, \$12,850,000; in your opinion that would not be allowed to a private company. If you had not spent the money during the current year then these items of repairs and renewals could not be set up as a reserve and charged to the current year's operations before you arrived at your net income?

Mr. COOPER: For tax purposes?

Mr. JACKMAN: Yes.

Mr. COOPER: I can say in the United States the Internal Revenue department has already given a ruling on the matter of deferred maintenance. They have issued a ruling that amounts entered into the carrier's accounts as deferred maintenance will not be recognized as deductions from income in arriving at the taxable net.

Hon. Mr. HANSON: That is a pretty severe ruling.

Mr. JACKMAN: In these times.

Hon. Mr. HANSON: When you need the maintenance and when you just cannot expend the money they rule that out?

Mr. COOPER: Yes, sir.

Hon. Mr. HANSON: I think they are a little more liberal down town here.

Mr. COOPER: I have in my papers here a brief which the American Railway Association submitted to the Internal Revenue department in Washington on this very matter. It is a rather long brief, and I would not trouble the committee with it, but if Mr. Hanson or Mr. Jackman would like to read it I would be glad to show it to them.

Hon. Mr. HANSON: I would like to read it all right. I am not sure I would understand it.

Mr. JACKMAN: We would rather have your expert opinion. Then it is likely, in your opinion, Mr. Cooper, that our department here would rule somewhat similarly to the United States Internal Revenue department?

Mr. COOPER: I would not like to say what they would do.

Mr. JACKMAN: Let me ask you this then. Do you believe that the setting up of this reserve on the two items of repairs and renewals, \$12,850,000 constitutes necessary reserve and measures the wear and tear during the operating year, 1942, or is it something which, because you are doing very well, you have set up for fear the evil day strikes you? Is it actual or just an extra reserve which you do not need but you are in a position to set it up and very wisely and conservatively you are doing so?

Mr. COOPER: I would like to answer that question. As an accountant I think the establishment of a reserve by a charge to operating expenses is essential if the accounts of the company are to be stated correctly. I think if there is a certain portion of the cost of operation that is not being paid currently, but is nevertheless taking place, that the accounts should reflect that fact.

Hon. Mr. HANSON: I agree with you absolutely.

Mr. COOPER: What was the other half of the question?

Mr. JACKMAN: That answers it.

Mr. COOPER: The other half of the question was as to whether the amount was adequate or proper in relation to the physical conditions. I am quite sure you would not take my opinion as an accountant as to the amount of deferred maintenance from a physical point of view. That is a matter for the engineers. It is a matter for the technical officers. Mr. Walton could answer that question better than I could.

Mr. WALTON: I may say we have gone to a good deal of trouble to establish what we think is a fair estimate in that connection by securing reports from each of our regions as to work necessarily deferred on account of shortage of labour, shortage of material, or whatever the cause may be, both in respect of maintenance of way and maintenance of equipment, and this figure that we are including this year is the result of that actual survey by the men in charge of the different departments and regions.

Hon. Mr. HANSON: I suppose you know, Mr. Walton, that our Department of National Revenue have been examining certain companies over a period of ten years with respect to their charges of maintenance and repairs as against operations rather than applying them to capital? It may be news to the public but they have had down through the paper companies a staff of engineers examining particularly almost every item charged for maintenance and repairs to operations, which is the proper place, in my judgment, to see if some of them should not be charged to capital. That is a pretty severe attitude to take. Of course, you do not have to meet that condition.

Mr. WALTON: No, we are pretty well standardized. The records are open as far as that goes, and it is standard practice.

Hon. Mr. HANSON: I think you would have to substantiate it in full, but it is true that during the depression years you did not make proper maintenance of your branch lines.

Mr. WALTON: We did not advance our position at all.

Hon. Mr. HANSON: Your position on the branch lines deteriorated.

Mr. WALTON: Yes.

Hon. Mr. HANSON: It was inevitable under the circumstances. Probably you could substantiate a very large sum.

Mr. VAUGHAN: What I would like to make clear is that we did not just pick that amount out of a hat. We went into it very carefully. Mr. Walton went into it with his officers, and we had a round-table discussion and went into every item that makes up the amount.

Mr. JACKMAN: Of course, looking at the appendix to the report they spent on maintenance of way and structures \$57,000,000 odd against \$47,000,000 in the previous year but even that does not begin to measure the physical deterioration.

Mr. WALTON: That does not keep pace with the increased wear and tear on account of added traffic.

Mr. JACKMAN: It is quite possible, as Mr. Vaughan just stated, to build up a fairly meticulous account and arrive at the figure which we have of \$12,850,000. I do not mean that it is exact, but it is quite capable of reasonable proof before reasonable people.

Mr. VAUGHAN: I would like to say this that the additional amount we spent on maintenance does not represent the difference it would in normal times because wages and cost of living bonus have gone up and materials have increase, and that is responsible for the increased totals to a considerable extent.

Mr. WALTON: Just to clear up a point that Mr. Jackman raised; you mentioned \$57,000,000 versus \$47,000,000. That \$57,000,000 includes deferred maintenance in 1942.

Mr. JACKMAN: Oh, it does.

Mr. WALTON: Just about halfway down, \$4,350,000; if you take that out you have a spread of about \$6,000,000 rather than \$10,000,000.

Mr. JACKMAN: I think the railway has done the right thing in setting up a reserve for this purpose.

The CHAIRMAN: I think perhaps we had better consider the report when we come to it. Shall we proceed?

Mr. VAUGHAN: I have the employees here now if you would like to have them. I think Dr. Donnelly asked that question. In 1942 we had on maintenance of way 22,435 employees, and in 1941 we had 22,255. On maintenance of equipment we had in 1942, 23,768 as against 22,608 in 1941. Then we had in the transportation department—other than train crews—11,340 in 1942 as

against 10,432 in 1941. Then we come to train end engine crews, conductors; we had 15,101 in 1942 against 14,001 in 1941, the total being 94,592 in 1942 against 89,536 in 1941.

Mr. WALTON: In addition to those numerical comparisons all short time has been eliminated. The men are working full time now so there is something else in addition.

Mr. JACKMAN: Reverting to the other subject we were on, the increase in the gross carried to net appears to be fairly comparable without getting the exact percentage between the two big railways in this country. Do you know how it compares with those three lines in the United States which are larger than the C.N.R. in gross intake?

Mr. COOPER: I would be very glad to give you a little statement making that comparison. I do not have it here.

Mr. JACKMAN: I realize it may not be exactly fair but it is perhaps the best we can get in the way of a comparison.

Mr. VAUGHAN: Their density of traffic is very much greater. Take the Pennsylvania railroad; they earned \$830,000,000 odd on a mileage of 10,000. We have to operate nearly 24,000 miles to earn less than half that.

Hon. Mr. HANSON: There is no doubt about that. That is a very vital factor.

Mr. VAUGHAN: Yes, very much indeed.

Mr. FERLAND: Mr. Vaughan, I would like to go back to the transportation situation and ask you if the company has decided to put into operation again the three or four daily passenger trains running from Montreal, Joliette and Chicoutimi that have been cancelled for some time?

Mr. VAUGHAN: That matter is under consideration. I think it is quite likely that before long those trains will be restored.

Mr. FERLAND: Would you kindly make a statement as to the reason why those trains were discontinued?

Mr. VAUGHAN: The reason that those trains were taken off was on account of the accumulation of freight during the very severe weather. Also because of not having enough engines in that territory to handle the regular passenger trains and all the extra freight trains that were waiting to move.

Hon. Mr. HANSON: An abnormal condition.

Mr. VAUGHAN: Yes, it was a very abnormal condition. The weather was exceedingly severe and the arrangement was made after discussion with the transport controller. It was felt it was a very necessary thing to do.

Mr. FERLAND: I am informed you have had an increase of very heavy traffic due to the construction of the Shipshaw barrage and then you have to carry bauxite imported from the United States to the Aluminum Company, but do you expect those conditions will be improved?

Mr. VAUGHAN: We expect that the aluminum traffic will keep up. In addition to bauxite there is a tremendous amount of other traffic. In discussing the matter with the Aluminum officials we find there are about 170 carloads that it is necessary to take into Arvida every day to make alumina without taking into account all the incidental material that the Aluminum Company need in the way of oils and coal and everything of that kind. The Aluminum Company probably requires itself about 200 carloads a day without taking into consideration at all the requirements of the hundred odd thousand people up there living between Chicoutimi and Dolbeau.

Hon. Mr. MICHAUD: Mr. Ferland, during this winter on the single track there has been an average of 271 cars of freight a day hauled from Rivière à

Pierre on to the Chicoutimi area. That is to meet the requirements of the industries and the population. Out of that thirty carloads of provisions a day have to be taken in to feed the population in that area, and owing to the grades only fifteen cars of freight can be taken with a locomotive over a distance of I do not know how many miles, but there are very heavy grades, so it gives you an idea why all the motive power had to be taken and devoted to hauling freight to meet those requirements. Then the railway had to contend with weather conditions besides that.

Mr. VAUGHAN:

Freight revenue increased \$48,870,000, or 20.4 per cent over the previous year. Passenger revenue increased \$16,403,000, or 51.4 per cent. Corresponding increases are reported in the other revenue accounts such as mail, express, sleeping car, dining car, and commercial telegraphs.

Hon. Mr. HANSON: Which are the systems that exceed yours in gross?

Mr. VAUGHAN: The three systems exceeding us in gross are first, the Pennsylvania; second, the New York Central, and third, the Southern Pacific. We were third until all this war traffic came along for the Southern Pacific. Of course, they serve that whole territory on the Pacific coast where a large number of war industries are located.

Effective March 18, 1942, freight rates were increased in the United States by 6 per cent on all commodities, except agricultural products, livestock and low grade products of mines including coal, on which commodities smaller increases were granted. The Board of Transport Commissioners authorized corresponding increases in the Canadian proportion of through rates on international traffic. As of February 10, 1942, passenger fares were increased by 10 per cent on United States lines.

Hon. Mr. HANSON: You only got the corresponding increase in international traffic. Have the railways made any application for an increase in Canada?

Mr. VAUGHAN: No sir, we have not.

Hon. Mr. HANSON: I thought that was in the offing.

Mr. VAUGHAN: We have not made any application for an increase.

Mr. DONNELLY: Why?

Mr. VAUGHAN: Our average per ton mile rate is and has been lower than the United States for many years, but we have not found it necessary as yet to apply for an increase in freight rates.

Hon. Mr. HANSON: Of course, your necessities are not quite as great. You do not have to pay \$15,000,000 to \$18,000,000 a year income tax. However, you are not applying.

Mr. VAUGHAN: No, sir.

Mr. JACKMAN: What are the reasons in the United States which make the application, and the granting of the application, for an increase in freight rates applicable there which might not be applicable in this country, Mr. Vaughan? Are the conditions not very similar?

Mr. VAUGHAN: The labour board in Washington granted an increase in wages to the employees of the United States railroads. The increased cost of materials was substantial there the same as here. This increase in rates was allowed them to take up part of that increased expense.

Mr. JACKMAN: The increase in the cost of materials is common to both countries?

Mr. VAUGHAN: I think so.

Mr. JACKMAN: Is the increase in wages common?

Mr. VAUGHAN: Our cost of living bonus pretty well offsets their increases over there.

Hon. Mr. HANSON: Does it? What does the cost of living bonus cost you?

Mr. VAUGHAN: It is in the report. The cost of living bonus cost us last year \$15,548,595. In addition to that we paid increased wages on our United States lines which amounted to \$2,639,143, so our increase in wages was really \$15,548,595 plus \$2,639,143, something over 18,000,000.

Mr. JACKMAN: You are not suggesting there is anything in the United States picture which entitles them to a 6 per cent increase in rates that does not obtain in Canada?

Mr. VAUGHAN: I would rather not make any remarks on that.

Mr. JACKMAN: I am only asking for facts. I am sure I do not know.

Mr. VAUGHAN: The fact is they got an increase, and I presume they were justified in applying for it or they would not have got it.

Mr. JACKMAN: I do not doubt that. The I.C.C. is not handing out something for nothing. At the same time I am asking are there conditions, to your knowledge—and I am sure you must know—applicable in the United States which entitled them to an increase and the same conditions are not applicable here?

Mr. VAUGHAN: I think proportionately the same conditions exist here.

Hon. Mr. HANSON: That would be natural. What is the difference in the grain rates between Canada and the United States?

Mr. VAUGHAN: I could not say that offhand. As you know, every bushel of grain we move from Montreal to Halifax and Saint John we move at a loss. We do not even get our wages and material out of it.

Mr. DONNELLY: But going from Montreal to Winnipeg you get the same practically as they do in the United States?

Mr. VAUGHAN: I have not got the rates here.

Mr. DONNELLY: Going west, I mean.

Mr. VAUGHAN: I think perhaps it is fair to say our local interior rates might be somewhat similar to the rates on the American lines but, of course, our export rates are very, very low.

Hon. Mr. HANSON: That statement you made about hauling from Montreal to the maritimes just illustrates how geography operates against the maritimes.

Mr. VAUGHAN: Portland was the port of the Grand Trunk, as you know, before consolidation. Portland is just 300 miles from Montreal. We switched much traffic to Canadian ports and now we haul that grain into Saint John and Halifax—in the case of Halifax, over 800 miles—for the same rate as we hauled it to Portland, 300 miles.

Hon. Mr. HANSON: Of course, the government give you a little subsidy on that.

Mr. VAUGHAN: Even taking that into account.

Hon. Mr. HANSON: It is still a loss?

Mr. VAUGHAN: It is still at a loss.

Hon. Mr. HANSON: Do you say that with the assistance under the Maritime Freight Rates Act added in you are still hauling that grain at a loss?

Mr. VAUGHAN: Yes, sir.

Mr. COOPER: I may be wrong in this but I think, Mr. Hanson, that the Maritime Freight Rates Act applies only to freight local to or outbound from the maritime provinces.

Hon. Mr. HANSON: You are probably correct. It is a long time since I looked at it.

Mr. VAUGHAN:

Operating Expenses.—Operating expenses totalled \$288,998,000, an increase of \$51,230,000 or 21·5 per cent. The operating ratio in 1942 was 76·93 per cent, the lowest on record.

The wartime cost-of-living bonus cost the railway \$15,449,000, of which \$13,695,000 was charged to operating expenses. Wage rate adjustments under the United States railway labour mediation agreement cost the railway \$2,639,000, of which \$2,435,000 was charged to operating expenses.

Hon. Mr. HANSON: Your operating ratio is very much improved?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: 72·12 in 1941.

Mr. COOPER: In 1941 it was 78·12 and in 1942 it was 76·93.

Mon. Mr. HANSON: 1940?

Mr. COOPER: In 1940 it was 81·82; 1931, it was 99·4; 1931 was the highest.

Hon. Mr. HANSON: That was your highest point. That was a bad year.

Mr. COOPER: Very bad.

Mr. VAUGHAN: "The cost of protecting the railway against possible sabotage was \$683,000 against \$552,000 in 1941. This expense is absorbed by the railway as an operating cost."

Hon. Mr. HANSON: That is a war expenditure. Would not the nation bear that?

Mr. VAUGHAN: We have done our best to have them do so, but we have not been able to persuade them to.

Mr. DONNELLY: Do the other railways have to pay the same for their protection?

Mr. VAUGHAN: Oh, yes.

Hon. Mr. HANSON: The government refused to recognize any responsibility for that protection?

Mr. VAUGHAN: Yes. I did not quite catch Mr. Donnelly's question.

Mr. DONNELLY: Do the C.P.R., for instance, have to pay for their own protection?

Mr. VAUGHAN: Yes, the C.P.R. have to pay for their own protection, but they do not spend much more than 10 per cent of what we do because we have a lot more vulnerable points, and we protect our lines to a greater extent than they do.

Hon. Mr. HANSON: I notice that since the United States came into the war they are protecting bridges and international boundary points with troops. I happened to notice that one day. The bridge I have in mind was guarded by coloured troops at government expense, so they have recognized the principle.

Mr. VAUGHAN: They have different arrangements in different states.

Hon. Mr. HANSON: In different states?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: It is a national problem, though.

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: They do get some assistance from governmental authorities in the United States which is denied in Canada?

Mr. VAUGHAN: Correct. At some points on our line in the Prince Rupert area the mounted police are protecting—

Mr. WALTON: Yes, there are a few other areas which are considered possibly more hazardous where the government does the protecting. They are restricted. In most cases we have to take it on at our own expense.

Hon. Mr. HANSON: Have you had any sabotage at all?

Mr. VAUGHAN: No. I do not think we have had any sabotage.

Hon. Mr. HANSON: There was some in the last war. The Vanceboro bridge was blown up.

Mr. VAUGHAN: Yes, I know.

Hon. Mr. HANSON: But you have made representations to have the government pay part of the expense?

Mr. VAUGHAN: Yes, we have represented that it is an expense they should bear.

Mr. HANSON (*Skeena*): They do at some places.

Mr. WALTON: At hazardous places they do it, but there are only a few of those, and the rest is our responsibility as the matter now stands.

Mr. SHAW: Have you a break-down of that \$683,000 somewhere in the report? I think that would give us a more complete picture of the whole thing.

Mr. VAUGHAN: I do not think I have a break-down here, but I can get it for you.

Hon. Mr. HANSON: What would be the benefit of that?

Mr. VAUGHAN: Do you want to know where these men are employed?

Mr. SHAW: What I have in mind, Mr. Chairman, is this: we are given to understand that on certain main line bridges, for example, government protection has been provided—at least, I have been told by officials of the government—and I was trying to have some consideration given to certain points where there are bridges over which a considerable quantity of steam coal goes. I was informed that while the government is providing some protection that protection was given only on the main line.

Mr. VAUGHAN: The protection they provide is very restricted. I doubt if the censor would want us to give any information as to where these guards are.

Mr. SHAW: I would not expect to get that information.

Mr. VAUGHAN: Generally speaking the work is done by ourselves. I do not know how many instances there are where the government provide the guards, but we could give that information to you.

Hon. Mr. HANSON: The government have refused to recognize any responsibility except in a few isolated cases; the management have to assume the responsibility and must make the decision as to what they will do, and we cannot help them in that regard.

Hon. Mr. MICHAUD: There is a committee of civil servants and mounted police whose duty it is to look after the protection of vulnerable spots in Canada. The civil servants work with the mounted police and all the defence departments, and they have made rulings and they have selected points which are protected by certain agencies.

Hon. Mr. HANSON: But mostly at the expense of the owners.

Hon. Mr. MICHAUD: It works three ways.

Hon. Mr. HANSON: Mostly at the expense in this case of the railway.

Hon. Mr. MICHAUD: Yes.

Hon. Mr. HANSON: It seems to me that this is a national obligation and the railway ought to be relieved of it.

Hon. Mr. MICHAUD: The committee has selected certain points which are protected at federal expense.

Mr. VAUGHAN: "Deferred repairs and renewals: last year's report gave an indication that shortages of labour and materials for repairs and renewals were becoming evident and would increase as the available supplies were diverted to war purposes. During the year the difficulties in this respect have increased. Under these conditions, repairs and renewals not immediately essential have had to be deferred. Within the railway itself, priorities and the most rigid measures of control over maintenance expenditures have had to be enforced to the end that the limited supply of labour and materials shall be utilized primarily to maintain the railway in condition to render effective service to the national war effort."

Hon. Mr. HANSON: That is an important point. Have you made any representations to the government or the Department of Labour as to maintaining your labour position, in order to maintain the railway, to use your own words, "in condition to render effective service to the national war effort"?

Mr. VAUGHAN: Yes sir, we have. The C.P.R. and ourselves made joint representations to the Labour department and we have outlined to the Labour department the specific positions which we think should be exempted.

Hon. Mr. HANSON: And with what result?

Mr. VAUGHAN: The matter is under consideration.

Hon. Mr. HANSON: Still under consideration?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: That is the classic answer.

Mr. JACKMAN: You read the words, "...labour and materials shall be utilized primarily to maintain the railway in condition to render effective service to the national war effort." I presume that there are some things you have in mind which you can defer because you can get along without them, but which ordinarily you would fix up. You are confining yourself there to the bare bones for the necessitous operations for the war effort. I presume that is the way in which you built up that amount of \$12,850,000 for repairs and renewals—things which should ordinarily be repaired for sound and safe maintenance but which you were able to get along without and do so on account of shortages?

Mr. VAUGHAN: All those matters were taken into account in arriving at that charge. We had another objective in view too: we did not want to use anything that was required for war purposes or that might be needed elsewhere, such as lumber and other things; we have tried to keep our requirements down to the minimum.

Mr. JACKMAN: I was wondering if you could give us an example of something which would ordinarily be repaired during the year but on account of shortages of lumber and materials you are able to defer until some future time and still get along quite safely; and yet you have made provision in your accounts to pay for that when the time comes?

Mr. DONNELLY: Painting stations and things like that.

Mr. WALTON: The painting of buildings and the painting of steel structures, rail renewals which possibly should be done but can be deferred; ballasting operations. With the number of locomotives that are required for traffic we are putting forth our best effort to get by without a heavy re-ballasting program on many of the lines. Probably that is what you might term half a job.

Mr. JACKMAN: There is a whole multitude of small items which you can defer but which ordinarily would be handled within the year?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: I understand that one lumber company—at least a tie company was forced to close down because they could not get men, and that the railways are clamouring for ties; is that so?

Mr. VAUGHAN: We are getting the ties we need. We have had difficulty in getting them. But we have a substantial supply of ties on hand. Owing to the fact that we have been putting in more treated ties for a number of years back our tie requirements are not nearly as great as they were ten years ago.

Mr. DONNELLY: What percentage of ties are treated ties?

Mr. VAUGHAN: At the present time it is something around 50 per cent.

Mr. DONNELLY: Creosoted?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: That is an interesting statement. I remember years ago when the railways were having to erect barricades against people who wanted to supply ties.

Hon. Mr. MICHAUD: That was not very long ago either.

Mr. JACKMAN: Are you drawing on your inventory of ties?

Mr. VAUGHAN: No, I do not think we have been required to do that yet; we are getting enough currently to meet our requirements.

Mr. JACKMAN: The requirements you put in, but not the ones you would like to put in?

Mr. VAUGHAN: Yes. Of course, we cannot tell what our total tie deliveries we will get until the spring.

Hon. Mr. HANSON: Are you paying a fair price?

Mr. VAUGHAN: Yes, sir, we always pay a fair price.

Mr. JACKMAN: Do you foresee a shortage?

Hon. Mr. HANSON: Is there a ceiling on ties?

Mr. VAUGHAN: No, there is not. The price of ties has been raised very substantially, and the increase has been permitted by the Wartime Prices board.

Hon. Mr. HANSON: I am glad to think that there is one place where the primary producer is getting a break.

Mr. JACKMAN: Do you foresee a shortage if the war continues for another three years, say?

Mr. VAUGHAN: I think if the war continues that long it will perhaps be difficult to get all the ties we need; then we will have to draw on our inventory.

Mr. JACKMAN: Have many of the usual sources of supply dropped out in the present year?

Mr. VAUGHAN: Yes, sir, there are quite a few people who did supply us with ties who apparently have gone into a more profitable business now.

Mr. JACKMAN: Any business at all, in some cases, because there is no manpower. You are not worried about the manpower situation in regard to the making of ties, are you?

Mr. VAUGHAN: Not at the moment.

Hon. Mr. HANSON: The railway always got its ties pretty cheaply, and I do not blame any tie producer for dropping out if he can find any other place to go.

Mr. VAUGHAN: There was always a relationship between the price of ties and the price of lumber.

Hon. Mr. HANSON: Not very much.

Mr. VAUGHAN: And there is a big advantage to a tie operator getting a railway contract.

Hon. Mr. HANSON: I always thought it was refuge for the distressed.

Mr. EMMERSON: The picture has changed since they went into hardwood ties.

Mr. VAUGHAN:

To the extent repairs and renewals, not immediately essential, have been deferred it has been considered both proper and advisable to establish a reserve therefor, created by charges to operating expenses. Such charges give recognition to costs related to the revenues of the current year and the reserve provides a means of avoiding the charging of these against the revenues of subsequent years. This accounting procedure is consistent with recently issued Interstate Commerce Commission regulations for United States railways. Based on estimates prepared by the technical officers of the railway, the amount carried to reserve was \$12,850,000 of which \$4,350,000 was for track and structures and \$8,500,000 was for rolling stock and shop machinery.

Mr. JACKMAN: Yes, such charges are related to revenue; that is the point I was trying to develop a while ago; "such charges give recognition to costs related to the revenues of the current year—" And then you go on to speak of your reserve for track and structures and your reserve for rolling stock and shop machinery—

Mr. COOPER: They both run together, Mr. Jackman; additional traffic naturally increases the amount of wear and tear and consequently the amount of depreciation on the property.

Hon. Mr. HANSON: This seems to be based on a recognition of costs: is that the principle?

Mr. WALTON: They are really costs that should have been and would have been in this year's operation had materials been available and had the level of traffic been such as to permit of the work having been done; that is really the picture.

Hon. Mr. HANSON: Oh yes.

Mr. JACKMAN: And you say there, "this accounting procedure is consistent with recently issued Interstate Commerce Commission regulations for United States railways." I thought you said they would not allow it?

Mr. COOPER: The authorities do not allow it for income tax purposes, but the Interstate Commerce Commission by their accounting regulations now permit railways to charge these amounts up.

Mr. JACKMAN: Even though they are not expendable at the moment?

Mr. COOPER: They are different branches of government.

Mr. JACKMAN: I realize that; but you mean that the Interstate Commerce Commission rules one way and the other branch rules the other way; it is difficult to follow their reasoning.

Mr. COOPER: The Interstate Commerce Commission permits railways to charge deferred maintenance to expenses but the Internal Revenue Department refuse to admit such charges for income tax purposes.

Mr. JACKMAN: Inconsistency between the government departments—is a case of heads you win, tails I lose. It depends on which department you are running, apparently.

Hon. Mr. HANSON: Have we any standards here in Canada set by our board of transport commissioners on this subject matter similar to what they have in the United States? Have our people down here in the Board of Transport Commission set up any standards?

Mr. COOPER: No; but I do not want to be critical of our authorities.

Hon. Mr. HANSON: I would not either; as you know, I never am.

Mr. COOPER: They always come around about ten years later than the Interstate Commerce Commission.

Hon. Mr. HANSON: That is good. I hope the newspapers will put that on the front page.

Mr. HANSON (*Skeena*): And that the ministers of the crown take notice of it too.

Hon. Mr. HANSON: Really, that is a startling statement. I have no doubt it is true. If a responsible official of the Canadian National Railways says that the Board of Transport Commissioners in Canada is always about ten years behind their opposite number in the United States; that is an indictment.

Mr. COOPER: I do not think we have the machinery here.

Hon. Mr. HANSON: Don't talk about machinery, they would get it, they are good at establishing machinery. The fact of the matter is that they are not on to their job according to you. That is a fair deduction.

Mr. COOPER: We have been endeavouring for a period of years to get uniform accounting regulations which would govern the accounting of railroads in Canada similar to what we have in the United States.

Hon. Mr. HANSON: Yes, and you have never got there.

Mr. COOPER: We, that is the Canadian National Railways, think our regulations should be similar if not identical with those of the Interstate Commerce Commission, in order to afford comparisons between Canadian railways and United States railways; and in our case, because a large portion of our railway is in the United States and of necessity we are compelled to keep our accounts in accordance with their regulations.

Hon. Mr. HANSON: That is very understandable. I hope the press will give adequate publicity to that statement.

Mr. VAUGHAN: Shall I proceed with depreciation?

Hon. Mr. HANSON: Yes, proceed.

Mr. VAUGHAN:

Depreciation: It is considered desirable that the depreciation accounting policy of the railway shall be indicated so that the record may be clear as to the basis on which the accounts herein presented have been stated. Depreciation as used herein is intended to mean the loss in service value of units of depreciable property used in railway operations not restored by normal maintenance.

Hon. Mr. HANSON: That is good definition of depreciation.

Mr. JACKMAN: Perhaps Mr. Vaughan would just amplify what is meant by that so that we will be able to understand it clearly—"loss in service value of units of depreciable property used in railway operations not restored by normal maintenance". Let's take a locomotive as a typical example, or some other item of equipment if you prefer.

Hon. Mr. HANSON: Perhaps Mr. Walton could give us something on that. This is very interesting, and I do not quite understand its full implication.

Mr. COOPER: When we speak of the service value of a locomotive we do not mean its original cost.

Hon. Mr. HANSON: No.

Mr. COOPER: We mean the difference between the original cost and the salvage value, and the difference is the service value, the value consumed in service.

Hon. Mr. HANSON: You mean between the time of purchase and scrapping?

Mr. COOPER: Yes. And in depreciation accounting we try to amortize that service value over the service life of the unit, that is what we call depreciation accounting.

Mr. JACKMAN: Do I understand then that if a locomotive costs \$100,000 new and the engineers place a salvage value on it of \$10,000, that would leave a service value of \$90,000 and that would amount to a depreciation of \$9,000 a year if it had a life of ten years.

Mr. COOPER: That is it. It would be \$90,000, and we would spread that amount over the life expectancy of that unit.

Hon. Mr. HANSON: Sound, is it not?

Mr. COOPER: Absolutely. With respect to the original cost that of course in factual, with respect to the estimate service value, that is a matter of judgment. We ask our maintenance engineers what we might expect the salvage value to be—and I may say that the general relationship of salvage to original cost is about 8 per cent.

Hon. Mr. HANSON: That is on certain classes of equipment.

Mr. COOPER: It varies. Taking rolling stock equipment as a group the average salvage value is between 8 per cent and 9 per cent of the original cost. Then we ask our mechanical engineers what is the life expectation of the unit, expected to be in service; and in that way we are able to compute the percentage.

Hon. Mr. HANSON: That you say is the correct formula?

Mr. COOPER: Yes, that is the practice used by every carrier in the United States, without exception.

Mr. JACKMAN: I suppose we should have an interpretation of exactly what types of property are embraced in your interpretation for accounting purposes of depreciable property.

Mr. COOPER: I can say, for instance, that land is not depreciable property. Grading; that is not depreciable property. The Interstate Commerce Commission do not recognize rails, ties, ballast, track fastenings, and things of that sort, as items subject to depreciation accounting. I think they would be considered depreciable but they are not subject to depreciation accounting.

Hon. Mr. HANSON: It seems to me that ties should be.

Mr. COOPER: Well, let us take ties. Under depreciation accounting when a unit is worn out you are supposed to remove it from the investment account and charge it to your depreciation reserve. Imagine what we would have to do. We have over 90,000,000 ties on the Canadian National Railways; and if we had to write out every tie and transfer it from our investment account whenever it had to be replaced, it would involve a tremendous amount of work, you could hardly justify the expense of the army of accountants you would need.

Hon. Mr. HANSON: That is a matter of convenience to you.

Mr. COOPER: Yes, sir.

Hon. Mr. HANSON: I understand that, they have a similar problem in the telephone business.

Mr. JACKMAN: In regard to ties, when they wear out you have to replace them and charge them to maintenance?

Mr. COOPER: That is right.

Mr. JACKMAN: Those are features of the property which are not depreciable. Then, of course, you have some border line cases.

Mr. COOPER: There is a difference between types of property which are non-depreciable and those which are not subject to depreciation accounting.

Hon. Mr. HANSON: You do make that distinction.

Mr. COOPER: I said the land is not depreciable, and rails are depreciable but not subject to depreciation accounting, because of the difficulty in accounting.

Hon. Mr. HANSON: They are taken care of under maintenance?

Mr. COOPER: Yes, sir.

Hon. Mr. HANSON: You have to take care of them in some way.

Mr. COOPER: Oh, yes. There's no question but what our rail structure is well maintained. We must see to that if we are going to keep the trains running.

Mr. JACKMAN: What about buildings, let us say hotels?

Mr. COOPER: They are depreciable property but not subject to depreciation accounting under the I.C.C. regulations.

Mr. VAUGHAN: We might complete this paragraph which is a statement of our depreciation policy as it effects the Canadian National Railways, and then there will be no misunderstanding about it. There has been considerable discussion in other years in this committee about this subject of depreciation accounting and we thought we would make our position as clear as we could. I will proceed with the reading of the statement if you will permit me.

An accounting must be made of such loss either at the time the property is taken out of service or by instalments spread over its useful life. If the loss is taken at the time the property is retired from service the accounting is said to be on the retirement basis. On the other hand depreciation accounting seeks to apportion the loss to each of the fiscal periods during which the property is in service. The difference is one of time and not of amount.

In the United States, where railway accounting is rigidly controlled by the Interstate Commerce Commission, both retirement and depreciation accounting have been in force at the one time. Retirement accounting has been required with respect to fixed property (buildings, stations, shops, bridges and the track structure) and depreciation accounting has been mandatory with respect to equipment (locomotives, cars, work equipment and vessels). On Canadian National system lines in the United States, the accounting regulations of the Commission have been adhered to strictly at all times. On the Canadian lines both fixed property and equipment were dealt with on the retirement accounting basis until 1939, but effective January 1, 1940, a change over to depreciation accounting was made for equipment, thus making the accounts for the whole system uniform and comparable with those of Class I railroads of the United States.

A recent order of the Commission, however, prescribes the adoption by United States railroads, effective January 1, 1943, of depreciation accounting for certain classes of fixed depreciable property including buildings, stations, shops, bridges, etc., but excluding the track structure (rails, fastenings, ties, ballast) which will remain on the retirement basis. This order will be followed by the United States lines of the system but it is not intended at this time to extend it to the Canadian lines of the system. The change constitutes an important departure from a long established practice and it seems advisable to wait until the experience of the United States carriers is available. In any event, compilation of the data necessary to permit its adoption would involve a large amount of work on the part of the technical officers of the railway, and it is not reasonable that work of this nature should be undertaken at this time when there are more important things to be done.

Hon. Mr. HANSON: I noticed in the paragraph beginning "In the United States, where railway accounting is rigidly controlled by the Interstate Commerce Commission"; you say "retirement accounting has been required with respect to fixed property (buildings, stations, shops, bridges and the track structure) and depreciation accounting has been mandatory with respect to equipment (locomotives, cars, work equipment and vessels)." Buildings—buildings might never be retired, unless they were burnt down. It seems to me that they ought to be depreciated annually. I notice you say they are placed under depreciating accounting in the United States.

Mr. COOPER: For many years buildings have been on a basis of retirement accounting, and in my opinion the present change is one which has been very largely dictated by the tax problem. The railways have opposed the application of depreciation accounting to fixed properties for thirty years but, in the year 1942 when the excess profit taxes were brought in, the railways asked the Commission for permission to change from retirement accounting to depreciation accounting.

Hon. Mr. HANSON: As a result of the tax burdens over there.

Mr. COOPER: In my opinion that is the only reason it is being done. And we do not have that tax problem here; at any rate, we think it is wise to see what the experience of American railways is—they may run into all sorts of trouble and they may have to make adjustments; and we thought we might just as well stand by and let them work the problem out. But, in any event, we take the position that under war conditions it would quite unreasonable to ask our engineering department to set aside their necessary duties and start in giving the accounting people data on original costs and estimating service lives and salvage values which would be necessary in order to enable us to make the change over.

Mr. VAUGHAN: You see, Mr. Hanson, the United States railroads over a long period of years have spent approximately \$200,000,000 in the valuations of their properties; and, notwithstanding the fact they have had the authority for over twenty years, to put in this depreciation accounting, they only started it as from the 1st of January of this year.

Hon. Mr. HANSON: Of course, the ordinary individual has been writing off structures year by year; that is the natural thing to do.

Mr. JACKMAN: Well, Mr. Vaughan, I assume here that you have not put in a depreciation accounting which they have in the United States—I mean, such things as stations, shops and so on—now, does it extend to a multitude of small items which would involve the employment of an army of accountants—Mr. Cooper spoke about that—but with respect to ships, stations and so on, they are all very large structures. I should think that their average value would perhaps be in the nature of thousands of dollars and perhaps might be more easily included in depreciation accounting.

Mr. COOPER: I can see your reason, Mr. Jackman, in favoring depreciation accounting with respect to substantial units of property. I do not think it should be applied to the multitude of small structures and other items of fixed property which are repaired, restored and renewed from time to time and charged to our maintenance account.

Mr. JACKMAN: Then, in regard to hotels, they should certainly be on a depreciation basis—are they?

Mr. COOPER: Not yet.

Hon. Mr. HANSON: Have they been able to make anything yet?

Mr. JACKMAN: Oh yes, they are making all kinds of money. By the way, have we got the hotel account?

Mr. VAUGHAN: Yes.

Mr. COOPER: I just want to say for the record that the commission (the Interstate Commerce Commission) require depreciation accounting for fixed property, but that does not extend to hotel property.

Mr. JACKMAN: They do not own very many hotels.

Mr. COOPER: Whatever the reason is, it does not extend to them. I do not want anybody to say that in that respect the C.N.R. is contrary to the I.C.C. requirements.

Mr. JACKMAN: Do they depreciate hotel properties over there?

Mr. COOPER: I cannot tell you that.

Mr. JACKMAN: In my opinion I think hotels should certainly be depreciated year by year, particularly when you are making money, great big money with some of them.

Mr. VAUGHAN: Among the larger property retirements for which provision was made through the operating expense accounts were: \$242,000 for No. 1 Elevator at Portland, Maine; \$231,000 for roundhouse and shop facilities at Southwark Yard, St. Lambert; and \$1,250,000 for the old car shops at Point St. Charles. The provision for equipment was \$16,975,000. The total provision in the 1942 accounts for maintenance of railway property, including repairs, renewals, depreciation and retirements, was \$129,197,000.

I think that shows all of our properties are not being included.

Hon. Mr. HANSON: Just a minute; are you out of business in Portland, Maine?

Mr. VAUGHAN: No, sir; not altogether. This was an old elevator which was not in very good condition. It was built in 1897. We still have one elevator left at Portland.

Hon. Mr. HANSON: Are you operating it?

Mr. VAUGHAN: There is still some grain going through it.

Mr. DONNELLY: What did this elevator cost?

Mr. COOPER: \$289,000. We have \$47,000 of salvage.

Mr. DONNELLY: What size was it; how many bushels?

Mr. COOPER: I think it was a million and a half bushels, as I recall offhand.

Mr. EMMERSON: It was an old wooden structure?

Mr. VAUGHAN: Yes.

Amortization of War Projects: A charge of one million dollars was included in operating expenses as a further provision against the retirement loss anticipated at the termination of the war in respect of facilities provided solely for wartime traffic and which are not expected to have any usefulness for ordinary commercial operations.

Hon. Mr. HANSON: That, of course, is ordinary policy. I am thinking about the reasonableness of the statement of the Minister of Munitions and Supply on this question of wartime depreciation. Perhaps Mr. Cooper would make a little statement here; would he state what he thinks of the soundness of the position from an accounting standpoint with respect to this; because I am a believer in the theory that these things must be depreciated.

Mr. COOPER: With respect to our wartime projects, do you mean?

Hon. Mr. HANSON: Yes, your depreciation on your wartime projects. Will you state your views on that, would you tell us what you would do? We have a school of thought which thinks that this should not be allowed.

Mr. COOPER: We will take as an example a siding built into a defence industry. We have our cost, and our estimate of salvage.

Hon. Mr. HANSON: In that case do you not make them pay over a stated period?

Mr. COOPER: Not if it is on railway property.

Hon. Mr. HANSON: You make them pay a rental?

Mr. COOPER: Yes.

Hon. Mr. HANSON: All right.

Mr. VAUGHAN: I might say that they pay for all the perishable property and do the grading and everything of that kind and then we supply the non-perishable property at a rental.

Hon. Mr. HANSON: That is a standard contract?

Mr. VAUGHAN: A standard contract, yes.

Hon. Mr. HANSON: But these have a very short life time.

Mr. COOPER: That is what we figure.

Hon. Mr. HANSON: I should write it off over the period.

Mr. COOPER: This is quite correct.

Hon. Mr. HANSON: Now, would you proceed and give us a justification for that.

Mr. COOPER: In the case of this spur that we take as an example; let us say that the original cost is \$100,000 and the estimated salvage value \$20,000; there is a difference of \$80,000 and I think that that loss should be charged to the revenue which is created by that expenditure.

Hon. Mr. HANSON: Yes.

Mr. COOPER: That is, that it should be charged up during the war. I assume that after the war that facility will have no use for commercial operation.

Hon. Mr. HANSON: And if you were a tax-paying body you would justify that, and stand behind it, in the theory that it has got to be absorbed in that way and not taken back.

Mr. COOPER: Yes, sir. And I might say too, Mr. Hanson, that in the United States that question has been before the Internal Revenue department and they accept the charge as an allowable deduction. They require a five-year period but we are writing these costs off in a matter of 3½ years.

Hon. Mr. HANSON: Any ordinary individual here in Canada has to go before the War Depreciation Board; you don't have to do that?

Mr. COOPER: No, sir.

Hon. Mr. HANSON: I do not see any good reason why you should if you are not paying taxes. The principle is pretty sound, isn't it?

Mr. COOPER: We would argue strongly for it if we were before the tax authority.

Hon. Mr. HANSON: I think I would too, although I am not an accountant.

Mr. VAUGHAN:

INVENTORY RESERVE: Notwithstanding price controls, there has been some rise in the prices of materials used in maintenance and operation. For example, inventory prices in September 1942 compared with September 1939 show an increase of \$3.48 per ton for new rail, 9.4 cents per tie and \$1.02 per ton for locomotive fuel. The price index for general railway stores increased by 13.5%. An inventory reserve has been created in the amount of \$3,839,000 (based on normal quantities) as a provision against the loss which would have to be taken if prices should revert to their pre-war level at the termination of the war.

Hon. Mr. HANSON: That is very sound, and I am glad to be able to tell you that we recognize that principle in taxation. Take the woodpile of a pulp and paper company—if we had to take a loss on a depreciated inventory after the war, it would practically put us out of business. I think the principle is sound that we should take a present basic period, say the period after 1939, and then everything over and above that by way of increase in inventory—I agree that we should have something by way of protection with respect to it.

Mr. EMMERSON: In this case you have an extra cost of \$1.02 per ton; that is not on the price of the coal, that is on the cost of transporting the coal to the place you want it.

Mr. VAUGHAN: It includes everything, that includes the delivered cost to our line—it is the average increase in the delivered coal to our line.

Hon. Mr. HANSON: How about the fuel situation?

Mr. VAUGHAN: Our fuel situation at the present time is favourable; except perhaps, on the Atlantic region. We have had more difficulty in getting coal there than any other part of the system.

Hon. Mr. HANSON: Production is down?

Mr. VAUGHAN: Yes, and there is much greater demand for coal.

Hon. Mr. HANSON: Yes, and there is difficulty during the winter in transportation, I suppose.

Mr. VAUGHAN: In other words, the principal reason has been that the production was not there to meet the demand.

Hon. Mr. HANSON: You no longer have any water transportation?

Mr. VAUGHAN: No.

Hon. Mr. HANSON: It is all your own haul?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: And you have a bottleneck there from the Cape Breton area, have you not?

Mr. VAUGHAN: That has not been a factor in the coal supply.

Hon. Mr. HANSON: I am glad to hear that.

Mr. VAUGHAN: We put in facilities at Point du Chene last year in order to relieve that bottleneck, and can handle a lot of coal by that route.

Hon. Mr. HANSON: That is by water?

Mr. VAUGHAN: By water, yes. Before the war we brought up the river perhaps a million tons of coal between Quebec, Montreal, Levis and Chicoutimi. I do not think we got 15,000 tons up the river last year. Before the war we were using coal from the Maritime provinces as far west as Toronto and Cochrane. Now we have to rail American coal into Monk and Riviere du Loup.

Mr. HANSON (*Skeena*): Are you still operating the old coal mine in the United States?

Hon. Mr. HANSON: They will never give that up. That is a good proposition, is it not?

Mr. VAUGHAN: Generally speaking over a long period of time that has been a profitable operation. When we come to the point where we can buy coal cheaper than we can produce it we shut the mines down and buy coal.

Hon. Mr. HANSON: You have never gone into the West Virginia coal field?

Mr. VAUGHAN: We buy some coal from west Virginia. We buy some coal from western Kentucky. We buy coal from many points in the United States.

Mr. JACKMAN: Does price control operate on most of the materials that you need for your maintenance and operations? You used the word "notwithstanding" there?

Mr. VAUGHAN: There are many things we use where the wartime prices board have permitted an increase. For instances, there is a substantial increase on ties, rail, and coal. Those are very big items in the cost of operation.

Mr. JACKMAN: Generally the overall ceiling applies to nearly everything you buy except where the board have made specific provision for an increase?

Mr. VAUGHAN: Yes, but those are items that affect us very seriously. Lumber has gone up. Ties have gone up. Coal has gone up. Steel has gone up.

Mr. GRAY: I just left the Reconstruction committee and they say you have not been bringing coal as far east as Montreal and Toronto, if you believe Mr. MacNicol. What do you say to that?

Mr. VAUGHAN: We cannot get enough Nova Scotia coal now to meet our requirements in the maritime provinces.

Hon. Mr. HANSON: It is a question of production?

Mr. VAUGHAN: Yes. We are taking every ton of coal we can get in Canada that is usable.

Mr. GRAY: How far are you bringing it?

Mr. VAUGHAN: We are bringing some Nova Scotia coal up as far as Levis, but we are not getting sufficient and we are compelled to rail American coal down to Riviere du Loup and Monk and in some cases to Edmundston to meet our requirements. Before the war we used Alberta coal as far east as the head of the lakes. Last year we had to take in 700,000 tons of American coal at the head of the lakes to meet our requirements and we had to use that coal halfway across Saskatchewan.

Mr. GRAY: You think you are using the limit of Canadian coal?

Mr. VAUGHAN: We are using every ton of Canadian coal we can get.

Mr. SHAW: Do you anticipate any difficulty in securing the coal you require from the United States?

Mr. VAUGHAN: Not unless conditions change materially. Their situation is different to ours. Their production has greatly increased and our production in Canada has not increased to any great extent.

Mr. SHAW: But they have not placed any restriction upon the exportation of American coal to Canada?

Mr. VAUGHAN: No.

Mr. DONNELLY: What proportion of the coal in the United States do you get out of your own mine?

Mr. VAUGHAN: We brought in last year perhaps 5,000,000 tons of coal from the United States, and perhaps 1,500,000 tons of that came from our own mine and the balance from other mines.

Hon. Mr. HANSON: You would buy Canadian coal if it was available?

Mr. VAUGHAN: Yes, sir.

Hon. Mr. HANSON: That is your statement?

Mr. VAUGHAN: We would be glad to get it.

Mr. NICHOLSON: Have you any compilation of the percentages of American and Canadian coal used over the period of the last five years?

Mr. VAUGHAN: I have some figures here in that connection. In 1938 we purchased 2,401,903 tons of Canadian coal.

Mr. NICHOLSON: What are the United States figures for that year?

Mr. VAUGHAN: In the United States we purchased in 1938 2,012,540. In 1942 we purchased 4,720,257 tons of American coal, and we purchased 2,847,000 tons of Canadian coal. We got more Canadian coal in 1942 than we did in 1938 by 400,000 tons, but we got less Canadian coal in 1942, by 300,000 tons, than we did in 1941.

Mr. NICHOLSON: How much of the 4,000,000 last year came from your own mines in the United States?

Mr. VAUGHAN: Our total production at that mine runs about 1,800,000 or 1,900,000 tons, but a substantial quantity of that is used on our United States lines. There is probably 500,000 tons of that used on our United States lines.

Hon. Mr. HANSON: Mr. Vaughan, if you have completed the figures as to quantities and derivation can you give us the question of figures on costs?

Mr. VAUGHAN: I can give you the average mine cost. The average mine cost of United States coal in 1938 was \$1.64. In 1942 it was \$2.01. The

average cost of Canadian coal in 1938 at the mine was \$3.32 and in 1942 it was \$3.74.

Mr. EMMERSON: Is that the cost at the point of delivery, at the mine mouth?

Mr. VAUGHAN: Yes, delivered to us on cars at the mine.

Hon. Mr. HANSON: Where you take delivery of it?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: On the question of B.T.U.s how is the comparison?

Mr. VAUGHAN: Generally speaking we get a better quality of coal from the United States than we do from Canada.

Hon. Mr. HANSON: You have not any figures on it?

Mr. VAUGHAN: No, I have not got figures here on that. There are certain mines, as you know, in the maritime provinces, and also in western Canada, which produce a good grade of coal, but there are a lot of mines that produce a poor grade of coal.

Mr. JACKMAN: What are the Canadian costs?

Mr. VAUGHAN: The Canadian cost of coal on the average in 1942 was \$3.74 against an average price in the United States of \$2.01.

Hon. Mr. HANSON: Nearly double.

Mr. NICHOLSON: You have not a rough estimate of the B.T.U.s?

Mr. VAUGHAN: I would say the B.T.U.s of the United States coal run from 14,000 to 14,500. We have some coal in Canada that runs that but there are, of course, other features entering into it. We take delivery of coal from some mines in Canada that do not run more than 11,000 B.T.U.s.

Mr. GRAY: Getting back again to what you may be able to do, will you make a statement as to whether you can increase your purchasing of Canadian coal?

Mr. VAUGHAN: Yes, undoubtedly we can if the coal is available.

Mr. GRAY: What do you mean by that?

Mr. VAUGHAN: That is, if we can get it from the mines.

Mr. JACKMAN: Any relation to price?

Mr. VAUGHAN: The question of price has not been involved in the use of Canadian and United States coal at all.

Mr. SHAW: Supply may be the determining factor in wartime. Would you also say it is the determining factor in peacetime or was it price that determined the volume of American coal consumed?

Mr. VAUGHAN: Price undoubtedly was a consideration but, as I have said, when we used Canadian coal before the war as far as Toronto and Cochrane—that is Nova Scotia coal—we had brought that coal about as far as we could. Canadian coal mines were able to sell us that coal at a comparable price on account of the subvention which they got from the Dominion government.

Hon. Mr. HANSON: That is the story.

Mr. GRAY: Let me follow that one step further. We have had in the Reconstruction committee suggestions that Canadian coal should be purchased by the Canadian National railways and that you should be using more Canadian coal now. You say that if you can purchase it you will use it?

Mr. VAUGHAN: The only reason we are not using it is because we cannot get it. We are appealing every day to the coal mines in Canada to give us more coal.

Mr. GRAY: I would like Mr. McCulloch, who knows this story much better than I do, to make a statement.

Mr. McCULLOCH: In normal times I think the mines probably could supply the C.N.R. with more coal than what they buy from them; is that not right?

Mr. VAUGHAN: I think so. I think there is more coal produced in the maritime provinces that we can use.

Mr. McCULLOCH: But during the war years there are so many different factories and airports and things like that down in Nova Scotia which are using coal now that the coal mines in Nova Scotia cannot supply the quantity that the C.N.R. will take from them at the present time. In normal times the Nova Scotia coal mines get their share of the Montreal market. I think it would take the output of the Nova Scotia mines with what they use in the maritime provinces.

Mr. VAUGHAN: I think that is a fair statement.

Mr. JACKMAN: May I ask this, Mr. Vaughan? In normal times you always endeavour to run the C.N.R. as a straight business proposition?

Mr. VAUGHAN: Yes, sir.

Mr. JACKMAN: And buy in the cheapest markets?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: If the government wants the railway to use Canadian coal then the ordinary way to make it available to you is to pay a subvention on it so it is offered to you at a competitive price?

Mr. VAUGHAN: That is the only way we can use it.

Mr. JACKMAN: I understand from being a member of this committee for a few years that the C.N.R. is run as a straight business proposition?

Mr. VAUGHAN: Yes, it is.

Mr. McCULLOCH: You were making a comparison between the American cost of coal and the Nova Scotia coal mine.

Mr. VAUGHAN: What we do is we say to the coal company, "American coal will cost so much at Toronto or Belleville or some place else; if you can meet that price we will buy your coal."

Mr. McCULLOCH: For the benefit of the committee I was talking about the difference in price between American coal and Nova Scotia coal, and in connection with that, American coal can be mined without any water. There is no water in the American mines.

Hon. Mr. HANSON: That is quite evident.

Mr. McCULLOCH: In Nova Scotia coal they take up from 10 to 20 tons of water to every ton of coal.

Mr. VAUGHAN: That is true. Mining conditions are entirely different in Nova Scotia.

Mr. DONNELLY: How far east do you bring western coal normally?

Mr. VAUGHAN: Normally to the head of the lakes and Sioux Lookout.

The CHAIRMAN: Redditt used to be the old point.

Mr. VAUGHAN: Yes, we were taking it through to there when the war came along.

Mr. DONNELLY: At the present time it is going halfway across the prairies.

Mr. VAUGHAN: At the present time we are compelled to rail American coal halfway across Saskatchewan.

Mr. NICHOLSON: According to the figures, you used about 47 tons of American coal last year for every 28 of Canadian coal. I understand you would increase the percentage of Canadian coal indefinitely if the coal was available here?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: Price is a factor.

Mr. VAUGHAN: It always follows that the price must be acceptable. I may say we paid the Dominion government nearly \$3,500,000 in duty and excise on American coal last year.

Mr. SHAW: Mr. Vaughan, I believe you indicated last year you were using American coal as far west as Edmonton. I know you said to-day approximately halfway across Saskatchewan. There is a slight difference there. Would that indicate an improved position?

Mr. VAUGHAN: I do not recall ever having said we used American coal as far west as Edmonton.

Mr. SHAW: I am only speaking from memory.

Mr. VAUGHAN: No, I do not think we did that. I said Edmunston, N.B. The names are somewhat similar.

Mr. JACKMAN: May I ask one question about that inventory reserve? I suppose that is in line with inventory reserves which many operating companies in Canada are allowed to set up, or is it that the reserve which they are allowed to set up applies to their main raw materials, they being processing companies and you supplying a public service? Not being a processing company you have no one main raw material like cotton or wool or pig iron; it is purely an inventory which you use in the operation of your own company? Is that so? Do you know if that would be allowed under our income tax?

Mr. COOPER: Would our charge to expenses be allowed?

Mr. JACKMAN: No, would your inventory reserve be allowed as a proper reserve to be set off against taxation?

Mr. COOPER: I would not like to say that I am thoroughly conversant with Canadian income tax problems, but it is my understanding that this charge would be permitted.

Mr. JACKMAN: If it were cotton or wool it would be, but I am just wondering whether it would be so when it is only used in the manufacture of the service.

Mr. COOPER: I think they would restrict it to what I call normal quantities.

Mr. JACKMAN: I realize that.

Mr. VAUGHAN:

Other Income and Profit and Loss Accounts

The accounts grouped under this caption include taxes, equipment and joint facility rents, results of hotel and subsidiary operations, interest and dividend income, and other miscellaneous income and profit and loss transactions, details of which will be found on pages 14 and 15 of this report. The aggregate charge in 1942 was \$12,610,000, an increase of \$363,000 over the previous year.

Hon. Mr. HANSON: Have we a statement anywhere of what those accounts are?

The CHAIRMAN: It will be in the regular statement.

Mr. COOPER: On pages 24 and 25 we show a list of companies which are in Canadian National Railways system and we indicate by a star against the names of the companies those which are treated by us as affiliated companies, and as to any of those which are active companies the results are excluded from the railway revenue and expense accounts and taken in through the item which we are now discussing. If you turn to page 15 there is set out in greater detail the income account of the system for the year 1942. We show revenues and expenses and net revenue. This group of accounts includes everything except net revenue and interest. All these other accounts are lumped together and the net of them is some \$12,600,000.

Hon. Mr. HANSON: Where is that shown on page 15? Does that go into your consolidated account?

Mr. COOPER: On page 15 we show the consolidated income account and it is broken down under its various captions.

Hon. Mr. HANSON: I may be all wrong, but the aggregate charge—

Mr. JACKMAN: It is the word "charge".

Hon. Mr. HANSON: That is confusing.

Mr. COOPER: Some of them are income credits, and some of them are charge items.

Hon. Mr. HANSON: Which way is the balance?

Mr. COOPER: The balance of all these items amounts to a charge of \$12,610,000.

Hon. Mr. HANSON: Is that a debit against your consolidated income account?

Mr. COOPER: Yes, sir.

Hon. Mr. HANSON: That is a loss.

Mr. COOPER: Would you turn back to page 3? Under net revenue, which was \$86,600,000, we show the aggregate net of all these other items amounting to \$12,600,000.

Hon. Mr. HANSON: It is shown there as a loss.

Mr. COOPER: As a deduction, yes.

Hon. Mr. HANSON: That is a very-sizeable item.

Mr. COOPER: If you look on page 15 where the detail is shown we start off with taxes, \$6,000,000. Then hire of freight cars, \$5,000,000; joint facility rents, debit \$2,300,000.

Hon. Mr. HANSON: That is for the operation of your own system, but how is that \$12,000,000 again? It is the aggregation. Go ahead.

Mr. JACKMAN: What page is the breakdown of that \$12,000,000 on, Mr. Cooper?

Mr. COOPER: On pages 15 and 16.

Mr. JACKMAN: You pick out the items there. There is no item of \$12,610,000 as a sub-total.

Mr. COOPER: No, I grant you that.

Hon. Mr. HANSON: That is a very sizable item. It is a debit against your consolidated income account. Could we not have the detail of that?

Mr. COOPER: Yes. I would like to read them so there will not be any misunderstanding.

Hon. Mr. HANSON: Have you got a copy of it?

Mr. COOPER: It is on page 15.

Hon. Mr. HANSON: There is no table of it?

Mr. COOPER: No, but I can assure you if you add this up you will find it will amount to \$12,000,000. Railway tax accruals, \$6,020,000; rent from locomotives, which is a credit item, \$108,000; rent from passenger-train cars, \$276,000; rent from floating equipment, \$10,000; rent from work equipment, \$107,000; joint facility rent income, \$1,874,000; hire of freight cars, debit \$5,115,000; rent from locomotives, which is a debit, \$62,000; rent for passenger-train cars, \$495,000; rent for floating equipment, \$17,000; rent for work equipment, \$7,000; joint facility rents, debit, \$2,383,000.

Mr. DONNELLY: Mr. Vaughan, do you get your freight cars back from the United States?

Mr. VAUGHAN: It is something we are following up all the time, but this statement indicates that in 1942 we had many more foreign cars on our lines than our cars were on their lines because we have a debit balance against us of \$5,000,000.

Hon. Mr. HANSON: Is this debit balance a constant thing with you year in and year out or do you have a credit sometimes?

Mr. VAUGHAN: There may be times when we have a credit, but we have not had a credit during the war.

Mr. DONNELLY: Do I understand you to say this year you have had more American cars than you have had heretofore?

Mr. VAUGHAN: Yes. There are many more American cars coming in to Canada.

Mr. DONNELLY: Is that only lately or has it been so for some time?

Mr. VAUGHAN: It is a war condition. It has been so ever since the war.

Mr. WALTON: We are moving large quantities of bauxite and materials of that kind originating in the United States, and that naturally brings a large number of their cars on to our lines.

Hon. Mr. HANSON: This includes also the rent you paid the C.P.R. and I suppose they have a contra against you?

Mr. WALTON: Yes.

Hon. Mr. HANSON: What is the balance between the two Canadian railways?

Mr. WALTON: There is not a great difference. It fairly well approximates.

Mr. EMMERSON: I can understand rolling stock going across the line, but where are the locomotives?

Mr. WALTON: We have a few small locomotives rented to outside companies.

Mr. EMMERSON: That is what it means.

Mr. WALTON: That would be in that. There are some other operations.

Mr. EMMERSON: Would that be outside of Canada?

The CHAIRMAN: Gentlemen, it is just about 1 o'clock. We would like to know what you are going to do about this afternoon.

Hon. Mr. HANSON: I am in a very difficult position. As far as I am concerned I want to help Mr. Vaughan, but I have been waiting two or three days to say something in the House and I have not got to it yet. I want to talk about the Prince Edward Island car ferry service.

The CHAIRMAN: The afternoon will be broken on account of Mr. Eden being here, but I think we can get an hour or so after 4 o'clock.

Mr. HANSON (*Skeena*): I move that we meet after Mr. Eden gets through his speech.

Hon. Mr. HANSON: Oh, do not do that. However, I am not going to put my wishes against the whole committee.

The CHAIRMAN: 4 o'clock.

Mr. DONNELLY: You had better say half past four.

Hon. Mr. HANSON: Why do you not let these gentlemen go home to-day and come back next week? Would you not like that, Mr. Vaughan?

Mr. VAUGHAN: I would rather stay here until we are finished.

The CHAIRMAN: The meeting will continue as soon after 4 o'clock as possible.

The committee adjourned at 1 o'clock p.m. to meet again as soon after 4 p.m. to-day as possible.

(AFTERNOON SESSION)

The Committee resumed at 4.45 o'clock p.m.

The CHAIRMAN: Order, please. Would you all come up where we can hear and be heard. All right, I would just go right along Mr. Vaughan.

Mr. VAUGHAN:

Interest Charges: The total requirements for interest on funded debt held by the public were \$34,949,000, being \$9,749,000 less than in 1941.

Interest payments to the Government on loans for capital purposes were \$14,032,000, being \$8,386,000 more than in 1941.

The primary reason for the decrease in interest paid to the public and the increase in interest paid to the Government lies in the repatriation of securities referred to elsewhere in this report.

Cash Surplus: After the payment from revenue of all operating expenses, taxes, fixed charges, etc., the cash surplus for the year was \$25,063,000. The Dominion's equity as shareholder in Canadian National Railways has been increased by that amount. The improvement in surplus earnings over 1941 was \$21,046,000.

CAPITAL EXPENDITURE ACCOUNT

The net expenditures on property investment account for additions and betterments during the year 1942 amounted to \$21,109,065.

The following equipment was acquired during the year: under Hire Purchase Agreement with the Dominion Government, 30 Northern type locomotives, 300 flat cars, 463 gondola cars, 250 hopper cars, 25 first class coaches and 15 baggage cars; under the 1941 Grand Trunk Western Equipment Trust, 25 Northern type locomotives and 16 Diesel switching locomotives; also 100 refrigerator cars built in the Transcona Shops, 50 second-hand ballast cars, 6 mail cars, 106 second-hand coaches which have been reconditioned and put into service as coaches, colonist cars, sleepers and diners and 12 units of work equipment. 743 hopper and gondola cars were rebuilt at the Leaside Shops.

The following equipment was retired during the year: 24 locomotives, 159 freight cars, 5 passenger cars and 67 work units.

Mr. EMMERSON: Are you still using these diesel-electric cars; or, has any of that been retired?

Mr. VAUGHAN: We are using most of them, Mr. Emmerson, we are still using them.

The CHAIRMAN: You do not build anything other than refrigerator cars in your Transcona shops, do you?

Mr. VAUGHAN: That is the type of cars we have been making there. I think they have also built some cabooses there.

FINANCE

New Issues: The following securities were issued during 1942:

\$3,692,000 2½% Grand Trunk Western Railroad Equipment Trust of 1941, being the remainder of \$5,692,000 equipment trust certificates dated June 1, 1941, unissued in 1941, due to delay in the delivery of the equipment:

\$9,313,232 3½% obligation for purchase of railway equipment, repayable 1943 to 1957. Under Order in Council 3433 dated May 14, 1941, the railway was authorized to enter into a hire-purchase agreement with

the Government for the purpose of acquiring railway equipment to the value of \$22,250,000. Of this amount \$9,313,232 was expended by the Government until all of the equipment has been delivered and the final cost has been ascertained.

Retirement of Obligations: The following securities matured and were retired during 1942:

\$20,000,000 2% Canadian National Railway Company 4-Year Dominion Guaranteed Bonds due January 15, 1942.

1,153,764 4% Grand Trunk Pacific Branch Lines Company Bonds due February 15, 1942.

6,424,000 4½% Canadian Northern Western Railway Company First Mortgage Debenture Stock and Bonds due February 16, 1942.

4,447,000 3½% Halifax and South Western Railway Company First Mortgage Guaranteed Debenture Bonds due September 30, 1942.

\$32,024,764

Mr. Ross: Could we not have this put in and dealt with in one section; taken as read? This is more or less a review.

Mr. HANSON (*Skeena*): They have asked that we have it read.

Mr. CHAIRMAN: I think we better go ahead and read it. That is the only consideration we will have, as we go over it.

Mr. Ross: There will be a multitude of questions on it and I thought it would be quite all right for the time being.

The CHAIRMAN: What do you think, Mr. Vaughan?

Mr. VAUGHAN: Whatever you say.

The CHAIRMAN: I think you better go ahead.

Mr. HANSON (*Skeena*): Yes, better go ahead.

Mr. VAUGHAN: All right.

In addition there were the normal annual payments of principal under equipment trust, sinking fund and serial issues, which totalled \$9,490,775.

During the year the following Government advances were repaid:

3½% Advances, Branch Line Construction Act, 1936.....	\$ 638,908 55
3½% Advances, Trans-Canada Air Lines Act, 1937.....	550,000 00
3½% Advances, Financing and Guarantee Act, 1938.....	1,717,008 90
3½% Advances, Financing and Guarantee Act; 1939.....	11,110,409 29
	<hr/>
	\$14,016,326 74

Of this total, \$4,016,326.74 was repaid out of the surplus earnings of 1941 and \$10,000,000 was a payment on account of 1942. A further payment of \$15,063,268.32, being the balance of the 1942 surplus, will be made before the close of the Government's fiscal year.

Mr. HANSON (*Skeena*): That has been paid to the government?

Mr. VAUGHAN: That amount has since been paid.

Mr. HANSON (*Skeena*): To the government?

Mr. VAUGHAN: Yes.

Repatriation of Securities: The arrangements made between the Governments of Canada and the United Kingdom, under which Canada has given financial assistance to the Government of the United Kingdom to enable it to purchase war supplies in Canada provided, among other things, for the repatriation of Canadian National Railway securities.

Mr. HANSON (*Skeena*): Can you tell us how much of that has been repatriated?

Mr. VAUGHAN: I think it is right in the report here, Mr. Hanson.

Mr. HANSON (*Skeena*): All right.

Mr. VAUGHAN:

On January 26, 1942, the Treasury of the United Kingdom issued a vesting order naming as the price to be paid for the securities the market price at the close of business on that date. Under Order-in-Council 2484 dated March 28, 1942, the Company was authorized to repurchase from the Dominion, at the vesting price, the railway securities purchased by the Dominion from the Treasury of the United Kingdom. Under Order-in-Council 8858, dated September 3, 1942, the Company also has purchased from the Dominion other Canadian National securities which had been acquired by the Treasury of the United Kingdom prior to the vesting order of January 26, referred to. Under Orders in Council 2886 dated April 11, 1942, and 7197 dated August 14, 1942, provision was made whereby holders not subject to the vesting order of Canadian National Railway securities listed in the vesting order might surrender their holdings for redemption at the vesting price. Under Orders-in-Council 2484 dated March 28, 1942, and 9773 dated October 27, 1942, all of the 4% Guaranteed Stock issued by the former Grand Trunk Railway Company of Canada outstanding and not vested in the Treasury of the United Kingdom was called for redemption at par on November 1, 1942. Additional 4% Perpetual Debenture Stock issued by the said Grand Trunk Railway Company was redeemed under the arrangements referred to in the 1940 Annual Report.

Mr. HANSON (*Skeena*): Does that take in the amount about which there was a dispute?

Mr. VAUGHAN: You are referring to the Grand Trunk dispute?

Mr. HANSON (*Skeena*): Yes.

Mr. VAUGHAN: No; that referred to principally preferred stock, I think. How about that, Mr. Cooper?

Mr. COOPER: The dispute referred to both common and preferred.

Mr. VAUGHAN: They were already owned by the government.

Mr. HANSON (*Skeena*): Yes, I know they were.

Mr. VAUGHAN:

Loans for the purchase of these securities have been made to the Company by the Government, bearing interest at 3½% per annum, repayable on demand and secured by promissory notes and by the securities so purchased.

In all, these transactions in 1942 have dealt with railway securities having a par value of \$289,320,520. The cost of redemption was \$278,045,685, resulting in a reduction in the capital debt of the railway of \$11,274,835. This amount, less \$202,242 discount not amortized prior to the date of redemption, has been accounted for as a capital gain through the Proprietor's Equity account. These transactions have resulted also in an annual income saving of \$1,049,000 (interest less exchange).

Mr. HANSON (*Skeena*): That is good work.

Mr. VAUGHAN:

The schedule of securities attached to the United Kingdom Treasury vesting order dated January 26, 1942, included the sterling shares of capital stock of the Atlantic and St. Lawrence Railroad Company. The

Atlantic and St. Lawrence Railroad extends from Island Pond, Vermont, to Portland, Maine, a distance of 147.79 miles, and has been operated by Canadian National Railways and its predecessors under a 999 year lease dated August 1, 1853. Before the Canadian National Railway Company may purchase the shares of the Atlantic and St. Lawrence Railroad Company, approval and authorization by the Interstate Commerce Commission is necessary. An application for such approval and authorization was made to the Commission dated December 15, 1942. On January 8, 1943, the Commission issued its order favourable to the application. The accounting entries reflecting the purchase of these securities will be made in the 1943 accounts.

Line Abandonments

An application was made to the Board of Transport Commissioners to abandon 29.8 miles of line between Neidpath and Swift Current, Saskatchewan. The Board refused permission to abandon 14.9 miles of line between St. Remi and Hemmingford, Quebec. The Board granted permission to abandon, in co-operation with the Canadian Pacific Railway, 6.5 miles of Canadian National line and 53.4 miles of Canadian Pacific line between Forth (near Red Deer) and Ullin, Alberta, but an appeal from the Board's order has been taken to the Governor in Council.

General: The relations between management and the employees were maintained on a harmonious basis throughout the year. In co-operation with the Manpower Board Division of the Department of Labour arrangements were made for the individual deferment of military training for employees in essential services, such as employees in train and engine service, shop crafts, agents, operators, maintenance of way employees, and others with technical qualifications.

To facilitate the movement of coal from the Cape Breton mines to points in central Canada, the railway as agent for the government arranged for the construction of a coal handling plant, storage area, and ancillary facilities, at Point du Chene, in the Province of New Brunswick.

As a measure to increase the supply of iron ore, arrangements were made for the railway as agent for the government to rehabilitate the Northern New Brunswick and Seaboard Railway (owned by the Province of New Brunswick but not operated for some time) from Nepisiquit Junction on the Bathurst Subdivision to the Bathurst properties of Canada Iron Foundries Limited.

Mr. POULIOT: Before we go further would you be kind enough to tell us how many passenger cars froze at the Turcot yards in Montreal during the last winter? I was told that a large number of cars had been frozen because they were not looked after by the same men as used to do that work. Is that true?

Mr. VAUGHAN: I have not heard of any particular complaints. Have you heard of anything, Mr. Walton?

Mr. WALTON: No, I have not.

Mr. VAUGHAN: I do not think we had any particular trouble. Of course, we had a lot of trouble getting equipment in and out of the station during the period of the heavy snow, but we did not have any equipment frozen that I know of.

Mr. POULIOT: Extensive repairs have been made to all erecting shops of the railway except at Riviere du Loup which is an old divisional point and one of the very few erecting shops in Canada. I wonder if there cannot be an

enlargement of the shop there to manufacture munitions and help somewhat in the war effort otherwise than by repairing engines?

Mr. VAUGHAN: I think most of your men at Riviere du Loup are pretty well employed.

Mr. POULIOT: Yes, but there are men who are not fit for service but who are able workers. I tell you if you enlarge the shop I would promise you good reliable working men who have experience in trades and who would do very well there. I cannot understand it, Mr. Vaughan, because there is more railway business, but this is one of the few places in Canada where nothing has been done, no war industry except the railway, and there are facilities there. You have the power. It is very easy to enlarge the shop. Moreover there is some machinery that is not working to capacity, and to my great surprise some of it was sent down to Moncton.

I will tell you right here, Mr. Vaughan, the difficulties we have with Moncton. They are a square-headed people. You can well remember the trouble we had at Riviere du Loup. In the first place it was due to graft between a former Conservative postmaster general and a former Liberal lieutenant-governor who had lots in Quebec city and could not dispose of them. Both of them are dead, and may their souls rest in peace. They had lots in Quebec that they could not sell. It was a swamp. In order to justify the sale to the Borden government in the first days of the government they sold that to the government—

The CHAIRMAN: Order, please. I do not think this should go into the record.

Mr. POULIOT: I gave no names. This is a thing that has been mentioned in the House, and when I said it in the House the Speaker did not call me to order. I do not see why you should be more severe in committee than the Speaker is in the House. I want to inform the officers of the railway as to what happened. It was not due to them. It was pure graft. There was no need for the St. Malo shops in Quebec but the land was sold to the government. There should have been some justification for purchasing the land. Therefore they built those shops and as they had no men or machinery to put there they took men and machinery from Riviere du Loup for the most part.

Then I had to fight with the railway to get machinery down to Riviere du Loup after the shops were turned into a munitions plant in Quebec city. It was only due to the intervention of Mr. Lapointe with Mr. Hungerford I did it because through some intrigue all that would have been sent to Moncton. Now Moncton is putting the blanket over us again and it is a shame. I hope with the new general manager in Moncton it will work better than it did. In the past we could not get a decent answer from Moncton. I hope also that man Barnes there who is chief—what do you call it—

Mr. VAUGHAN: Chief mechanical officer.

Mr. POULIOT: —will get out as soon as possible.

Mr. McCULLOUGH: I take exception to that. I have had a lot to do with him over the last twenty years and I tell you I have never run across a finer gentleman than Mr. Barnes in Moncton.

Mr. POULIOT: If he was fine with you he was crooked with us, I want to say to the railway it was just a family affair. He was just thinking of promoting his son-in-law. It is impossible to have justice with those people. I have to make an exception for Mr. Thompson who is the superintendent at Campbellton. I have known Mr. Barnes for a long time and I have to say that. Riviere du Loup has been treated most unfairly by Moncton. We would like to join the central region if we did not have to take Mr. Masse, the general superintendent in Quebec city. I am not prejudiced. I complain bitterly of some Free Masons

at Moncton but I complain also of that member of the Knights of Columbus at Quebec City. He is just as bad as the others. We have no fairness. Moreover, he thinks he must show his authority by being impolite to the men and being unfair to them. There is no reason for him staying there. There is no justification for having him as general superintendent in Quebec city.

I have always co-operated with the railway. When there is trouble between some of the men and the railway I try to act as, what we call in court, *amicus curiae*, a friend of the court. I try to help matters. My relations with Montreal have been very pleasant. My relations with Mr. Bond of Toronto have been pleasant, too. I have no complaint about Mr. Appleton, who is a very old gentleman, but I complain bitterly about Mr. Barnes. He should go, and it is my duty in the public interest to say so. There is no reason to keep that nasty little Masse in Quebec city. I do not say that because I am against a French-Canadian. I say that because I want fair play for the men. We also have always suffered from Moncton. Moncton wanted to get everything and they wanted to keep us with them. It is most absurd that one part of the province of Quebec is under the control of Toronto and the other part under the control of Moncton. We are divided in two, and why? Because there was competition between Toronto and Montreal regarding the head office, as to whether it should have been in Toronto or Montreal. I am ready to do anything for the railway but I want some co-operation from the railway. Mr. Vaughan knows it quite well. I will say to him and all officials of the railway that I want to be just as fair as possible but so long as the railway has the same policy as the government to keep in office all evil-doers we will make no progress. You have to cut some heads in order to have progress. It is the heads of nonentities. I am sorry to say so but it is my duty to say so, not only on behalf of my people but also for the railway and for the country.

Mr. EMMERSON: Mr. Chairman, I just want to say one word. I regret very much that Mr. Pouliot has found it necessary to make some very unkind remarks about Mr. Barnes. The record that the Moncton shops have made in comparison with the other shops of the system speaks for itself. He is a man who is held in very high regard, not only by the railway men in the Atlantic region but by the people of Moncton, and I think pretty well the whole province of New Brunswick and, in fact, Nova Scotia.

Mr. POULIOT: Opinions are free, but I hope the railway will seriously consider doing something for Riviere du Loup and with Riviere du Loup. I say that to the railway in the most friendly spirit.

Mr. VAUGHAN: I think you have been co-operating with the railway but I really think you are unfair to Mr. Barnes. Mr. Barnes has been a very valued officer of the railway for a long time. However, it just happens that Mr. Barnes is retiring at his own request.

Mr. POULIOT: Mr. Vaughan, your speech is the same as I heard in the House from the Minister of Finance. I know you are too great a man to copy anybody's speeches. I would like to have your own made and it should be "yes" to my request.

Hon. Mr. MICHAUD: That would be yours then.

Mr. EMMERSON: There is one question with regard to this work that was done at Point du Chene. Do you anticipate you will be able to use it to some real advantage this coming year. Your difficulties there, of course, have been that you have not had coal.

Mr. VAUGHAN: We have had it up actively with the Dominion Coal Company to see if they would not send a larger quantity of coal through Point du Chene this year. I think it depends to a large extent upon the vessels they are able to get through the shipping board at Ottawa. They are trying

to get more to carry coal between Sydney and Point du Chene. They are hopeful of getting them. If that happens we certainly can handle more coal through Point du Chene than we did last year.

Mr. EMMERSON: Is that new carrier built? Has the full plant been established? Is the carrier built and established yet or is it still the old system?

Mr. VAUGHAN: We were using trucks last year, and the belt is now there. I think it is in process of installation. Of course, it is difficult to instal it at this time of the year but the belt is there ready to be installed.

Mr. WALTON: There was some question as to whether it was needed for some war project in which case we may be required to release it and continue with the trucks, but other than that we are prepared to instal it.

Mr. VAUGHAN: We will instal it if they do not take it away from us for some other purpose.

Mr. EMMERSON: You have it there now?

Mr. VAUGHAN: I understand we have the belt.

Mr. WALTON: It is there but there is some question whether some war project requires it, and if that happens the operation can be carried on the same as last year with the trucks.

Mr. McCULLOCH: How many boats do you think you will have coming up to Point du Chene?

Mr. VAUGHAN: I cannot give you that information. We tried to get that information ourselves, but we have been unable to do so. We have put it up very actively both to the Dominion Steel Corporation and the fuel administration at Ottawa.

The CHAIRMAN: I think now would be a good time to put in our record a statement from you with regard to just how much western coal you could use if it were obtainable. I am thinking about this other committee that Mr. Gray was in representing this morning, the reconstruction committee. I think it will be a good thing to have a statement in our report as to the amount of western coal that could be absorbed by the railway.

Mr. VAUGHAN: I will have to do some figuring on that. I think I said this morning we could use any quantity of Canadian coal available of suitable quality. I repeat that statement.

The CHAIRMAN: At the local price; you do your own haulage.

Mr. VAUGHAN: Yes; the question of price has not been involved. I think the question of price could always be adjusted. We will take any quantity of coal that is offered to us by those Canadian mines.

Mr. DUROCHER: Could these Canadian mines put out a greater output than they do at the present time?

Mr. VAUGHAN: As I understand it the Canadian mines are producing every ton of coal that they can with the men available.

Mr. DUROCHER: That means if they had more men at their disposal they could produce more?

Mr. VAUGHAN: I think that is true.

Mr. McCULLOCH: I understand some of the army men are coming back to the mines.

Mr. VAUGHAN: Yes.

Mr. McCULLOCH: I noticed that in the paper. Of course, a lot of the reduction in the output in Nova Scotia is through absenteeism.

Mr. VAUGHAN: Yes.

Mr. McCULLOCH: Mr. Gray made a statement with regard to Cape Breton that about 14 per cent were absentes and 6 per cent were on the sick list, making a total of 20 per cent.

The CHAIRMAN: What I have in mind is this: I suppose as chairman I should not say too much, but there are endless quantities of coal in the west and as a reconstruction feature if we could get this coal moving it would help a great deal. They cannot use it down east because it costs too much to haul across the continent. They used to bring it down at a subvention of \$7 a ton. Even then they could not compete with eastern coal.

Hon. Mr. MICHAUD: There are large deposits of coal in the province of Saskatchewan.

The CHAIRMAN: Very, very large.

Hon. Mr. MICHAUD: We have had to haul American coal out there in the past winter.

Mr. McCULLOCH: I should like to say a word about the Thorburn-McBain seam. There are 5,000,000 tons of coal in the McBain seam, and Mr. Poole's analysis showed it was one of the best steam coal in the province. It would be very easy to get out that coal. I was telling them in the other committee if they put 200 men to work there and have an output of 500 tons a day it would last for twenty-five years.

Mr. Ross: Where?

Mr. McCULLOCH: Thorburn, six miles from New Glasgow. The population there was about 1,500, and I suppose it is down to 900 now. The miners there are all employed in other mines in Nova Scotia, but they have their homes in Thorburn and I think it would make a very cheap coal if it were used.

Mr. VAUGHAN: I suppose someone will develop that sooner or later.

Mr. McCULLOCH: Well, I think in time some of the older mines will go out and they will have to develop the McBain seam.

Mr. VAUGHAN: I should like to make this clear that while at the present time, and I think since the beginning of the war, we could have taken and can take all the Nova Scotia coal and western coal that is available, that does not apply in times of depression, when our coal consumption drops away down.

Mr. McCULLOCH: I understand that.

Mr. POULIOT: Mr. Chairman, may I ask Mr. Vaughan to be kind enough to give us some information regarding positions that are essential, railway positions that are essential and recognized as such by the selective service.

Mr. HANSON (Skeena): He gave us all that two days ago.

Mr. POULIOT: It was not given by Mr. Vaughan.

Mr. VAUGHAN: There are many positions. There is a list now being furnished to the Department of Labour. There are trainmen, agents, telegraphers, mechanics and men of that type who are essential to the service of the railway.

Mr. POULIOT: Brakemen and firemen?

Mr. VAUGHAN: Engineers.

Mr. POULIOT: Telegraphers, operators?

Mr. VAUGHAN: Yes.

Mr. POULIOT: And with whom do you deal as a railway expert in the National Selective Service?

Mr. VAUGHAN: We deal mostly with the minister.

Mr. POULIOT: The minister himself?

Mr. VAUGHAN: Yes.

Mr. POULIOT: And he transfers it to the board?

Mr. VAUGHAN: Yes. The C.P.R. and ourselves have made joint representations to the Minister of Labour.

Mr. POULIOT: You do not pass any more through the Adjutant General's branch of the Department of National Defence?

Mr. VAUGHAN: No, sir.

Mr. POULIOT: Mr. Vaughan, I should like to make a suggestion with regard to the train service between Montreal and Toronto and also via Ottawa. I wonder if it is not possible to have the best coaches put in the front of the train so as to give an opportunity to the early comers to get seats there and then put the older cars in the rear if you have to have them. Naturally those who would come first would be entitled to better places in the cars. Also would it not be possible to tell the brakemen to stop at the entrance of the car until the car is filled and then go to the other car and tell people to get into the other car? It could be done easily.

Mr. VAUGHAN: We have a committee now, Mr. Pouliot, studying that situation to see how we can improve the conditions in those cars. We have requests to put parlour cars on again; we have requests to reserve seats at a charge in the first-class coaches and we have requests of all kinds from different people, members of parliament and others as to what we should do in connection with this service and we are giving it much study at the present time.

Mr. POULIOT: Of course I do not object to coaches nor to first-class cars, old first-class cars, but it seems to me it is the duty of the brakeman to see that some cars are not overjammed while others have nobody in them. There should be a distribution of the travelling public.

The CHAIRMAN: They do that now.

Mr. VAUGHAN: They try to do that as best they can. Of course, the brakeman is sometimes outside busy helping women and children, too, trying to do the best he can for everybody.

Mr. POULIOT: I will tell you this: when I came to Ottawa the last time this week while some cars were filled to capacity others were not. Then, people have many parcels with them at times when they travel and it is pretty hard for them to go along the whole way to find accommodation when they take it for granted that the accommodation is given by the brakeman who is at the door of the car.

Mr. VAUGHAN: Brakemen are supposed to notify the passengers if there is a place ahead so that they won't all go into the one car or crowd into two or three cars.

Mr. POULIOT: What happens is this, he does it from the rear, and the first two cars in the rear are jammed to the limit. Then, there was a dining car and the cars ahead were alright, nobody thought of going ahead.

Mr. VAUGHAN: We will be very glad to take your representations under consideration.

Mr. POULIOT: It is very little but it will help us all.

Mr. Ross: Following that up, in connection with reservations, is it possible for a passenger to purchase a section on one ticket?

Mr. VAUGHAN: I did not get that.

Mr. Ross: Is it possible now for a passenger to purchase a section on one ticket only?

Mr. VAUGHAN: Yes.

Mr. Ross: It still is?

Mr. VAUGHAN: Yes.

Mr. ROSS: Therefore he can purchase two berths although he sleeps in only one?

Mr. VAUGHAN: He can buy a section if he wants to, yes.

Mr. ROSS: I take exception to that under the present conditions even if he purchases two sections on two tickets.

Mr. VAUGHAN: Of course, it is a very difficult thing for us to regulate, because sometimes it might appear that a car is not going to be filled and then at the last minute a lot of people may come down who have not actually made reservations, they go to the sleeping-car office and attempt to purchase space at the last minute and it may be that someone is getting a section who only needed a lower berth or an upper berth; but these are all matters that are being studied with the Transport Controller at the present time, because we realize sometimes these things do occur and we are seeing what can be done about rectifying them.

Mr. ROSS: Under the extraordinary conditions which now exist in the way of travel and movement of troops, I think every attention should be given to this because I have heard of cases where a passenger has gone down to the station and purchased a berth at the last minute or gone down to try to purchase a berth at the last minute and then walk off and stay at the hotel, they could not find a seat and at the same time there will be a passenger with a whole section on one ticket.

Mr. VAUGHAN: Instructions of that kind should come, I think, from the government or from the Transport Controller, but we are cooperating with them, as Mr. Michaud knows. The Transport Controller reports to Mr. Michaud, and there are a great many things being dealt with every day in regard to improving the service and making more accommodation available for passengers.

Mr. ROSS: I hope so.

Mr. DUBUC: Did you not alter that regulation when you put three trains instead of seven on the Chicoutimi service?

Mr. VAUGHAN: I have not any recollection of it having been altered, Mr. Dubuc.

Mr. DUBUC: I am sure somebody should have thought of it. To have only three trains a week instead of seven is a big enough sacrifice without having one passenger buying a whole section. Many of our people have to travel to Montreal during the night on a day coach.

Mr. VAUGHAN: I think your point is very well taken.

Mr. DUBUC: It has not been thought of I am sure it should have been.

Mr. VAUGHAN: I would not say it has not been thought of. I think it has because a great many things have been discussed with the Transport Controller. All these things sometimes may seem slow in adjustment, but there are many things to consider in connection with that. But we will pursue that matter further because it does seem only right if the train is extremely crowded that every berth vacant should be made available.

Mr. DUBUC: It has not happened I will expect from now on, until the seven trains are put back into service, that your agents should be told to sell only one berth to one ticket, not a section.

Mr. VAUGHAN: What would we do then if we had half a dozen sections vacant in the car?

Mr. DUBUC: I can tell you this, the number of berths that you could sell in the last two months to the people who have to take that trip in a day coach because they have to go to Montreal is sufficient compensation for what you might lose if you happen to have a few sections vacant now.

Mr. VAUGHAN: We will certainly go into that, Mr. Dubuc and Colonel Ross. I think it is well worth going into.

Mr. ROSS: In other words, ration the space and you cannot make a mistake.

Mr. DUBUC: If you ration the trains it is only reasonable you should ration the berths as well. I have had lots of complaints from people, but because it was a war measure I did not want to interfere. There is a war on and we have to suffer. It is very hard for the whole population there. There used to be seven trains a week and now there are only three.

Mr. POULIOT: It was done under order of the Transport Board or under the order of the Board of Railway Commissioners? As I understand it, the rate for an upper for half the price a lower was done under an order of the old Board of Railway Commissioners or the Transport Board.

Mr. VAUGHAN: I do not recall that, Mr. Pouliot.

Mr. POULIOT: Do you deal any more with the Transport Board in regard to these things, or the Transport Controller?

Mr. VAUGHAN: Well, you have two agencies. We still have to conduct our regular business through the Board of Transport, but in connection with extraordinary matters, such as we are discussing, they are matters which come under the Transport Controller.

Mr. POULIOT: Would the minister be kind enough to tell us what are the relations between the Board of Transport Commissioners and the Transport Controller?

Hon. Mr. MICHAUD: The Board of Transport Commissioners?

Mr. POULIOT: Yes.

Hon. Mr. MICHAUD: The Board of Transport Commissioners is a statutory institution under the Transport Act and they have to administer the Railway Act practically, and it is a peacetime organization. The Transport Controller is an officer appointed under the War Measures Act to regulate war material transport primarily, and in order to regulate his war material transport he has to interfere with passenger transport to make room for the other.

Mr. POULIOT: What are the relations?

Hon. Mr. MICHAUD: There are no relations. Both report to the Minister of Transport, but one is not dependent upon the other. There are no alternative relations.

Mr. POULIOT: The matter is decided afterwards by order in council?

Hon. Mr. MICHAUD: Afterwards?

Mr. POULIOT: Yes, after you have both reports is the matter submitted to council?

Hon. Mr. MICHAUD: Not of necessity, because the order in council establishing the office of Transport Controller gives him wide powers and by that order in council he exercises those powers.

Mr. POULIOT: Under his signature?

Hon. Mr. MICHAUD: Yes, under his signature.

Mr. POULIOT: And with the approval of the minister?

Hon. Mr. MICHAUD: And with the approval of the minister.

Mr. POULIOT: And without the approval of the minister it does not go into effect? Under the order in council of the Transport Controller with regard to railway business is it necessary for the Transport Board to get in touch with the Transport Controller before making a decision?

Hon. Mr. MICHAUD: No.

Mr. POULIOT: They are independent?

Mr. JACKMAN: Just before you leave this subject of reservations, may I make this remark: if you want to get reservations to Toronto, for instance, you apply some days in advance. You have to leave your name and at 3 o'clock of the day on which you want your reservation you have to send a messenger down or go down and pick up your transportation. It seems to me that it might be better if in place of some people reserving all the time on the possibility that they might need it if they were required to pay cash for it it might make it easier for many of those who are genuine travellers going through to a destination to obtain tickets. I could mention a case that I ran across in Toronto one Sunday, an official of the Wartime Prices and Trade Board had no less than three tickets reserved, but his two senior men having gone by plane in the afternoon and he was in such a rush to catch the train that he was unable to cash in the tickets. I said, "If you like, I will cash them for you." I had no difficulty in cashing the reservation, but he was not able to use his senior officer's vacant chair. Are there very many vacant berths on the trains these days? I know it cannot be a very big percentage. Is there a certain amount of vacancy due to the fact that people make reservations and turn them in at the last moment and you have not got the opportunity to sell them? That applies to both railways, of course.

Mr. VAUGHAN: That does happen occasionally. I am not absolutely sure at the present time exactly what regulations are in effect in regard to reservations. Do you know, Mr. Walton?

Mr. WALTON: Those regulations in regard to the cut-off time at 3 o'clock were planned by our people with a view to making as many reservations as possible available that were not going to be used on the day of making the trip. It was thought that if a general arrangement were made whereby you had to buy the berth whenever you decided to go, maybe several days in advance, it would run into a lot of refunds, whereas the 3 o'clock cut-off time for trains that left late in the evening would still give plenty of time for people who find that afternoon that they are going, to get the advantage of cancellation.

Mr. JACKMAN: Do you think you should have a rule that you cannot cancel within some hours of train time? As it is now, they are cancelling right at the last minute and given a refund.

Mr. WALTON: The thought in connection with that was that it might work against us in that if you could not cancel, then you would have an empty berth. The demand is such these days that we like to think we are taking advantage of all possible cancellations, if they are inevitable, to get the use for others.

Mr. JACKMAN: I do not want to generalize from a single instance which came within my own purview. But I am asking are there very many cases like that? Do you find you have one or two berths per car?

Mr. WALTON: No. I am told by our people who handle the reservations that the present arrangements work out very well. There may be the odd exception, of course.

Mr. POULIOT: Very often there is a waiting list for reservations.

Mr. WALTON: Yes; which comes in for action whenever these cancellations do take place.

Mr. POULIOT: There is a reservation made for a lower; and when there is no lower available there is a reservation for an upper. As soon as the lower is available, then the reservation is changed.

Mr. WALTON: That is right.

Mr. POULIOT: It works out fine. I must congratulate them. They do fine work.

Mr. Ross (*Middlesex East*): There is one question I should like to ask of Mr. Vaughan in connection with the many freight cars we have over here from the American lines. To what use can we put those freight cars or to what use can the C. N. put those freight cars and how long can they use them in a general way before they have to be returned to the American lines?

Mr. VAUGHAN: They are covered by regular per diem rules which are international rules between American railroads and Canadian railroads. Those cars that come over here, come over loaded and they go to their destinations. We try, as far as we possibly can, to load them homeward.

Mr. Ross (*Middlesex East*): I suppose they are doing the same thing across the line.

Mr. VAUGHAN: Yes. But, of course, we have many more of their cars than they have of our cars, as the per diem balance shows. The rates are the same. We pay a dollar per car per day. The per diem rules are quite elaborate.

Mr. WALTON: There is not so much a general and definite order in regard to the length of time you can keep the cars. The provision applies more to loading them in the direction of their home, owning road when they are loaded. The imposition of the per diem charge is intended to encourage the return of the car because of building up expense, and we have a department who are continually chasing these cars and endeavouring to find loads in the proper direction for them and generally to utilize them to the best advantage. In addition to that, the American Association of Railroads have a car service division, and it is their duty to follow up all cars that are unduly delayed. They have a tracing arrangement which points to these cars if they are unduly delayed with a view to getting them loaded in the direction of the home road. It is a very elaborate arrangement, but it does work out to the good utilization of what we call "foreign cars" owned by other roads, and avoids just as much as we can the hauling of empty cars.

Mr. Ross (*Middlesex East*): The same arrangement, of course, applies on the United States roads. They are under the same regulations?

Mr. WALTON: Yes. It is a two-way arrangement.

Mr. Ross (*Middlesex East*): The picture does not look as black, then, especially if we have more cars of theirs than they have of ours.

Mr. VAUGHAN: The arrangement is working out very well.

The last item on here is with regard to the staff, and I should like to emphasize that.

THE STAFF

The officers and employees in all departments of the Canadian National Railways have worked loyally and efficiently to meet the new situations arising out of the war, and the directors record their appreciation and thanks. Upwards of ten thousand members of the staff are serving in the navy, the army and the air force, and others are serving in the Merchant Marine.

That completes the narrative part.

Mr. JACKMAN: Mr. Chairman, I have a question before you leave that. I am fairly well in accord with what the staff and the employees have done

in contributing towards the war effort for good and adequate transportation. There is a general feeling on the part of some, however, that railway employees are able to make rather large wages. Is that true or false? Have you any figures that indicate the average wages for running crews—for the engineers, brakemen and others? Can you give us a picture of that at all, for the year 1942, say?

Mr. VAUGHAN: We can give you figures that would show the average earnings of this class of employees for 1942. I do not know whether we have them here or not. These men are not making any extraordinary wages. Of course, where the men are paid by mileage and they have an extreme mileage per month, their wages would be a little higher. But, generally speaking, they are not making any extraordinary amount. Their wages have not changed, except to the extent of the cost of living bonus.

Mr. HANSON (*Skeena*): That arrangement is between the union and the railway companies?

Mr. VAUGHAN: I did not hear that.

Mr. HANSON (*Skeena*): The arrangement for the wages to be paid per mile for the engineers is between the union and the railway companies?

Mr. VAUGHAN: Those are the schedules in effect.

Mr. HANSON (*Skeena*): The schedules in effect with the union.

Mr. WALTON: I might just say that while you may find some members of the various trades on the railway making fairly high earnings possibly for a given month, there are times we have been very glad to have their services, with the amount of business we have had to handle, even though it made a fairly high earning for some of them. Because of the number that have gone to the armed forces and so on, it has been a problem to properly man the road.

Mr. JACKMAN: What I am really asking is this. Does a first-class engineer on a good run—

Mr. WALTON: They are all first-class.

Mr. EMMERSON: A senior engineer.

Mr. JACKMAN: Take a senior engineer, if you like to put it that way, on a good run, who is getting an average amount of overtime in this emergency. Does he make \$2,000, \$3,000, \$4,000 or \$5,000 a year?

Mr. WALTON: I think Mr. Cooper has some averages here.

Mr. VAUGHAN: Mr. Cooper will read the averages.

Mr. COOPER: The number of men in the running trades last year was 15,101.

Mr. JACKMAN: I did not hear that.

Mr. COOPER: 15,101.

Mr. JACKMAN: Men?

Mr. COOPER: Men. The total wages were \$41,920,000, which is somewhat less than \$3,000 a year.

Mr. JACKMAN: I have no doubt that the average is not extreme. But owing to union rules and perhaps accidental circumstances, do some of these engineers make extremely high wages?

Mr. VAUGHAN: I do not know what you would call extremely high, Mr. Jackman.

Mr. JACKMAN: I would think \$5,000 would be quite a lot of money for an engineer.

Mr. POULIOT: I would put it this way, Mr. Vaughan. Sometimes the men have to work a very long time.

Mr. VAUGHAN: Yes.

Mr. POULIOT: Once when I was going down home—and it is not such a great distance; it is only 400 miles—a train was one full day late.

Mr. WALTON: You would run into very excessive payments on that which cannot be avoided.

Mr. POULIOT: It is no fun for a man to be in charge of a train for such a length of time.

Mr. WALTON: No, it certainly is not.

Mr. VAUGHAN: You would not find very many \$5,000 a year men. There might be the odd man who would make that, but he would have to work hard for it. He would have to work a good deal of overtime to make that rate.

Mr. WALTON: There is one thing we find about these cases where apparent excessive earnings may be made over a brief period. Very often a man has to lay off for three or four days after that, because of long hours and exposure to the weather and that sort of thing. You can pick out short spaces when a pretty heavy earning appears, but taken over a month or two or three months, with the weather and other conditions, it does not result in, I would say, excessive earnings over a period.

Mr. JACKMAN: That is what I am asking for. How much do these men earn in a year under present circumstances?

The CHAIRMAN: It depends on the number of miles you run, I suppose.

Mr. JACKMAN: If you have 15,000 men who earn, on an average, close to \$3,000 a year,—and they are all skilled artisans or whatever you call them in the trade who have to put in years of apprenticeship—I suppose there must be some in that who get a very high rate, because the average was \$3,000. A good many will not get \$3,000.

Mr. WALTON: I think you will find the odd one runs up to the rate of \$5,000. But you will not find very many at \$5,000 when you take the whole year around, figuring the idle time, sickness and so on, for which there is no compensation whatever.

Mr. JACKMAN: I am really trying to help out your manpower problem. If you can get \$5,000 running an engine, there is not much use going in for accountancy, law and the other professions. I think the public ought to know that.

Mr. WALTON: Of course, again those high earnings are a matter of the time being. In quieter times there will be no earnings of that order.

Mr. JACKMAN: But we are not going to have quieter times after this war.

Mr. WALTON: Oh.

Mr. VAUGHAN: There are probably a good many going in for accountancy and law who would not be willing to do the work that these men do.

Mr. POULIOT: And they could not.

The CHAIRMAN: What are you going to do with these tables, gentlemen? We have a balance sheet on page 12.

Mr. HANSON (*Skeena*): Is a motion to adopt the report in order?

Mr. VAUGHAN: How would you like me to deal with this? Would you like me to read the tables or give the totals or what does the committee desire?

Mr. HANSON (*Skeena*): Before we start in on these tables, Mr. Chairman, I should like to get a breakdown of the hotel expenses incorporated in the minutes.

The CHAIRMAN: Are there any items in this balance sheet you want to discuss?

Mr. JACKMAN: Mr. Chairman, I am going to protest to some extent in this matter. We wish to be as co-operative as it is possible to be, but these balance sheets are given to us after the committee starts sitting. That is something I hope will never happen again, Mr. Minister, because we have not got time to study them. We have very important matters on in the house, and I have not had an opportunity to go over this balance sheet yet; and always in the past we have gone over it, item by item. Surely the members will find various things they wish to inquire into as they proceed.

Mr. POULIOT: You cannot protest. They have asked you what you think, and everybody will agree with what you say.

Mr. JACKMAN: A mild protest is a request.

Mr. POULIOT: Just an observation.

Mr. VAUGHAN: I think the fault may be ours. Some of us have got quite a lot of travelling ahead of us, and we asked if this meeting could not be brought on a little earlier this year and you very kindly co-operated with us. I think if there is any fault about bringing it on hurriedly, it belongs to the railway officials and not to the government.

Mr. JACKMAN: I see.

Mr. HANSON (*Skeena*): I should like to get a statement as to the different hotels, how much the cost was, the surplus and the deficit.

Mr. VAUGHAN: We will get you a statement to that effect.

Mr. HANSON (*Skeena*): I should like to give notice of that now so that you will have a chance to get it.

The CHAIRMAN: Shall we carry page 12?

Mr. JACKMAN: Mr. Chairman, this is the whole consolidated balance sheet for the railway. I think we should have some opportunity of discussing it.

Mr. HANSON (*Skeena*): Take any item you like, Mr. Jackman.

Mr. Ross (*Middlesex*): As a member of this committee, and perhaps as an old soldier, I would just like to pay a compliment to the staff. I see we have over 10,000 members of the staff now serving in the army, navy and air force, with others serving in the merchant marine. I would just like to say that that is a wonderful and outstanding record. And I would like to say further to that, that this discipline, if you wish—of the regulations under which they service in the C.N. would add to the quality of their service in the different branches of the armed forces. And I think, Mr. Vaughan, you are to be congratulated on having a showing of that kind from the Canadian National while at the same time keeping up the quality of service that exists at the present time.

Mr. VAUGHAN: Thank you very much, Colonel Ross.

Mr. POULIOT: I agree with you, Colonel Ross; but on the other hand there should be no curtailment of manpower if the railways are to carry on. And, as I said the other day in the house, what is done by the army is more heroic than what is done by railway men; but the work of railway men is just as noble as that of those in the armed forces; and it is necessary, and this is a war industry which is helping the army out—the army and as well the civilian population. And if we had no railway it would be impossible to transport troops from one point to another and to transport food and the tools which the army need; and the same thing applies with respect to the civilian population; and also the feeding of our allies. For that reason I do not see why any man who renders useful work in the railways at all should be permitted to leave the railways. Railway men should be frozen so that there would not be any further difficulties such as we have had in some cases in the recent past.

The CHAIRMAN: Is there any discussion on page 12?

Mr. JACKMAN: First of all, with your indulgence, I am going to ask Mr. Vaughan what rate of interest the government is charging under that hire-purchase agreement with respect to \$22,250,000.

Mr. VAUGHAN: They charge us $3\frac{1}{2}$ per cent.

Mr. JACKMAN: Let me ask you this too: if we consider the amount of rolling stock which is required to carry on the present volume of traffic as 100 and the post war volume of traffic as 80, will you require very much in the way of new rolling stock? You would require some, of course, but can we expect a large increase in rolling stock equipment which would tend to give employment to men in the great equipment companies?

Mr. VAUGHAN: I think that would depend entirely upon the traffic available.

Mr. JACKMAN: I am suggesting that if it is now 100, using that as an index, and if the post war figure is 80—that would be a decline of 20 per cent, which is not so much—under your expert management (I say that quite sincerely) you are able to make use of your present rolling stock to a much greater extent than perhaps would have been considered conceivable or possible before—you have new tricks now to expedite shipments and so on—in relation to an estimated volume of traffic after the war of 80 per cent as compared to 100 now, would you need very much in the way of new equipment? Some people are expecting that the railways will provide ways and means of re-employment after the war when they begin to re-equip themselves with the rolling stock which is wearing out now and which perhaps will then have to be replaced.

Mr. VAUGHAN: If we drop back to 80 say from 100, my own opinion is that our new equipment requirements will not be very great.

Mr. JACKMAN: For some years after the war?

Mr. VAUGHAN: There is certain obsolescence of equipment going on from time to time and we have quite a number of cars destroyed every year in the ordinary course of business which must be replaced; but I am of the opinion that for some time after the war we will not need to purchase any large volume of equipment. That depends upon traffic.

Mr. JACKMAN: Thank you.

The CHAIRMAN: Do you wish this table, the consolidated balance sheet, to appear in the record?

Mr. McCulloch: Yes.

Mr. Vaughan: You do not wish me to read the balance sheet in complete detail?

Some Hon. Members: No.

The Chairman: I do not think that is necessary.

CONSOLIDATED BALANCE SHEET AT 31st DECEMBER, 1942

ASSETS		
INVESTMENTS:		
Road and Equipment Property....	\$ 1,890,440,355 48	
Improvements on Leased Property	4,226,219 87	
Miscellaneous Physical Property..	66,145,762 46	
		\$ 1,960,812,337 81
Sinking Funds:		
System Securities at par.....	\$ 435,678 60	
Other Assets at cost.....	321,176 91	
		756,855 51
Deposits in lieu of Mortgaged Property Sold:		
System Securities at par.....	\$ 1,966,500 00	
Other Assets at cost.....	2,701,212 23	
		4,667,712 23
Maintenance Funds		8,425,000 00
Investments in Affiliated Companies.....		42,021,102 57
Other Investments:		
System Securities at par.....	\$ 211,000 00	
Other Assets at cost.....	534,435 46	
		745,435 46
		\$ 2,017,428,443 58
CURRENT ASSETS:		
Cash	\$ 10,242,498 81	
Special Deposits.....	7,808,223 95	
Bills Receivable.....	75,000 00	
Net Balances Receivable from Agents and Conductors	18,114,935 21	
Miscellaneous Accounts Receivable.....	19,894,312 02	
Material and Supplies—Ledger Balances.....	48,456,428 23	
Interest and Dividends Receivable.....	686,827 93	
Rents Receivable.....	184,477 13	
Other Current Assets.....	10,709,440 00	
		116,172,143 28
DEFERRED ASSETS:		
Working Fund Advances.....	\$ 220,735 57	
C.N.R. Insurance Fund:		
System Securities at par.....	\$ 10,828,963 45	
Other Assets at cost.....	1,351,543 95	
		12,180,507 40
Other Funds.....	756,886 25	
Other Deferred Assets.....	4,278,717 58	
		17,436,846 80
UNADJUSTED DEBITS:		
Rents and Insurance Premiums paid in advance...	\$ 178,970 23	
Discount on Capital Stock.....	189,500 00	
Discount on Funded Debt.....	8,883,269 25	
Other Unadjusted Debits.....	3,955,793 68	
		13,207,533 16
		\$ 2,164,244,966 82

CERTIFICATE OF AUDITORS

We have examined the books and records of the companies comprising the Canadian National Railway System for the year ended the 31st December, 1942, and subject to our report to Parliament, we certify that, in our opinion, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the affairs of the System as at the 31st December, 1942, and that the relative Income and Profit and Loss Accounts for the year ended the 31st December, 1942, are correctly stated.

16th March, 1943.

GEORGE A. TOUCHE & CO.,
Chartered Accountants.

CONSOLIDATED BALANCE SHEET AT 31st DECEMBER, 1942

LIABILITIES

STOCKS:

Capital Stocks of Subsidiary Companies held by Public.....	\$	4,564,600 00
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LONG TERM DEBT:

Funded Debt Unmatured:

Held by Public.....	\$	795,773,932 14
Held in Special Funds.....		13,442,142 05

809,216,074 19

DOMINION OF CANADA (Accounts treated as assets in Public Accounts of Canada):

Loans	\$	502,856,460 88
Canadian Government Railways—Working Capital		16,771,980 54

519,628,441 42

CURRENT LIABILITIES:

Traffic and Car-Service Balances—Credit.....	\$	8,820,309 43
Audited Accounts and Wages Payable.....		13,083,237 44
Miscellaneous Accounts Payable.....		4,338,900 95
Interest Matured Unpaid.....		6,656,933 50
Unmatured Interest Accrued.....		7,018,836 34
Unmatured Rents Accrued.....		403,347 04
Accrued Tax Liability.....		2,516,298 54
Other Current Liabilities.....		3,470,454 31

46,308,317 55

7,805,190 66

DEFERRED LIABILITIES.....

UNADJUSTED CREDITS AND RESERVES:

C.N.R. Insurance Reserve.....	\$	12,180,507 40
Accrued Depreciation.....		40,132,934 85
Maintenance and other Reserves.....		18,680,642 60
Other Unadjusted Credits.....		11,000,244 03

81,994,328 88

DOMINION OF CANADA—PROPRIETOR'S EQUITY—(See Note)

Represented by—

1,000,000 shares of no par value capital stock of Canadian National Railway Company....	\$	18,000,000 00
5,000,000 shares of no par value capital stock of The Canadian National Railways Securities Trust		298,842,882 17
Capital Expenditures on Canadian Government Railways		377,885,131 95

694,728,014 12

CONTINGENT LIABILITIES:

For major contingent liabilities, including pension plans, see page 23.

\$ 2,164,244,966 82

NOTE:—The Proprietor's Equity is included in the net debt of Canada and is disclosed in the historical record of Government assistance to railways as shown in the Public Accounts of Canada in accordance with The Canadian National Railways Capital Revision Act 1937.

T. H. COOPER,
Comptroller.

The CHAIRMAN: We will now discuss the principal features of this balance sheet, should the members of the committee so desire.

Mr. VAUGHAN: I will just refer to the principal items.

Mr. JACKMAN: With respect to maintenance funds: that is what we were talking about this morning, that is the amount you have in reserve with which to do maintenance work later on?

Mr. COOPER: Yes, that is so; to the extent of \$8,425,000. I might say also that the reserves are invested in dominion securities.

Mr. JACKMAN: That is the money you are going to spend after the war for maintenance?

Mr. COOPER: Yes.

Mr. JACKMAN: Then, as to investments in affiliated companies—could we have a breakdown of that amount?

Mr. COOPER: You will find it on page 23.

Mr. JACKMAN: Then, under current assets, the item of material and supplies—ledger balances: is that a new term?

Mr. COOPER: Yes. In 1942 for the first time we did not have a staff available with which to make a complete physical check-up.

Mr. VAUGHAN: I might say this, that we run a continuous monthly inventory so that our inventory is accurate; but the annual detailed check of the auditors has not been made.

Mr. JACKMAN: Do you also make a spot inspection to see that the amounts check with the certificates of the officers?

Mr. VAUGHAN: Mr. Matthews, can you tell us about that?

Mr. MATTHEWS: 1942 was the first year in which physical inventories were not taken but in the prior years when physical inventories were taken at the principal inventory points we made certain checks on the physical inventories and adjustments with the book figures. This year the ledger balance as kept at the stock record points were the basis for it.

Mr. JACKMAN: So the man-power shortage is part railways and part accounting?

Mr. MATTHEWS: That is right.

Mr. VAUGHAN: In the years in which we did take inventories there was never very much of a difference. There would be less than 1 per cent of a difference; sometimes it would be over and rarely under.

Mr. JACKMAN: I see interest and dividends receivable; this is a consolidated figure to begin with?

Mr. COOPER: Yes.

Mr. JACKMAN: This item is interest or dividends from stock held in companies in which you have an interest?

Mr. COOPER: That is so.

Mr. JACKMAN: Have you a list of those?

Mr. COOPER: You mean the total of this item?

Mr. JACKMAN: If we could have that.

Mr. COOPER: You have the companies from which we receive dividends and interest on page 23 of the report. The principal item in this amount is the interest due to Canadian National Railways by the Northern Alberta Railway. Their bond interest is due for payment on February 1.

Mr. JACKMAN: Who owns the Northern Alberta Railway?

Mr. COOPER: The Northern Alberta Railway is owned 50 per cent by the Canadian National and 50 per cent by the Canadian Pacific.

Mr. JACKMAN: Did they earn their bond interest?

Mr. COOPER: Yes, definitely.

Mr. JACKMAN: Then, as to the C.N.R. insurance fund: I presume that is what made inquiries about in previous years. Are there any securities held in that fund below cost or par value?

Mr. COOPER: No. I am pleased to say the market value for these securities is higher than their ledger value.

Mr. JACKMAN: That is the other asset shown at cost \$1,351,543.95?

Mr. COOPER: Yes.

Mr. JACKMAN: You are not buying any securities for that fund except dominion government or dominion guaranteed?

Mr. COOPER: I would not say that, we do buy our own railway securities.

Mr. VAUGHAN: I would say they are mostly guaranteed.

Mr. COOPER: Not necessarily except in the pension fund.

Mr. VAUGHAN: There may be the odd one that is not guaranteed, I think you will find that the large proportion are guaranteed.

Mr. JACKMAN: Are you buying some of the securities of lines which you use which are not guaranteed?

Mr. VAUGHAN: There are some securities outstanding upon lines which we operate; such as the line between Coteau and Ottawa, the old Canada-Atlantic bonds.

Mr. COOPER: Here is the list of the securities that we held at the end of 1942: System securities, \$10,828,000; Dominion of Canada bonds, \$4,341,000; municipal and other bonds, \$995,000; provincial bonds \$736,000 and Canadian National-West Indies Steamship bonds, \$100,000.

Mr. JACKMAN: In the unadjusted debits, do you write off each year part of the funded debt; I presume you must write off a certain amount each year.

Mr. COOPER: Discount on funded debt?

Mr. JACKMAN: Yes.

Mr. COOPER: Yes we do, but not discount on capital stock. There is no reason why we should write off discount on a perpetual stock. It is never due and never has to be met.

Mr. JACKMAN: It may be an asset I doubt if it is.

Mr. COOPER: You will notice on the other side of the balance sheet an item—capital stock of subsidiary companies held by the public—if you turn to page 25 you will see that included in the total is the Montreal and Southern Counties Railway, stock held by the public \$189,500. That stock was all issued without consideration so it is shown on the other side of the balance sheet as issued for discount, it is all discount. It is simply a contra account.

Mr. JACKMAN: Has it any value at all?

Mr. COOPER: I do not think so.

Mr. JACKMAN: If it is going to be there perpetually why do you not in these rather flush times straighten up your balance sheet in regard to it?

Mr. COOPER: Well I cannot see any purpose in that, Mr. Jackman. We have on the liability side capital stock issued \$189,000. It is held by the public.

It is worthless. There is no need for us to write it off. I should think if anyone were going to write it off, it would be the owners.

Mr. JACKMAN: You are carrying it in your asset side as a debit.

Mr. COOPER: Carrying it as an unadjusted debit.

Mr. JACKMAN: Is that part of the same group that we talked about last year?

Mr. COOPER: Yes.

The CHAIRMAN: Gentlemen, it is six o'clock. We will meet again to-morrow morning at 10.30 o'clock.

The committee adjourned at 6.00 o'clock to meet again to-morrow, April 2, 1942, at 10.30 o'clock a.m.

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Canadian Railway and Shipping
Standing Committee on, 1943

SESSION 1943

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(HOUSE OF COMMONS)

(STANDING COMMITTEE)

ON

(RAILWAYS AND SHIPPING)

Owned, Operated and Controlled by the Government

MINUTES OF PROCEEDINGS AND EVIDENCE

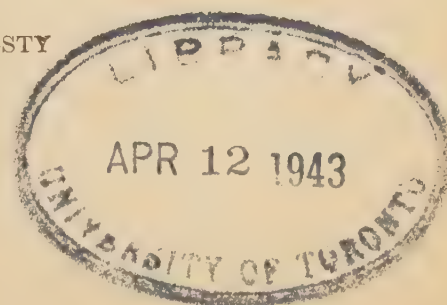
No. 4

FRIDAY, APRIL 2, 1943

WITNESSES:

- Mr. R. C. Vaughan, Chairman and President, Canadian National Railways.
- Mr. N. B. Walton, Executive Vice-President, Operation and Construction Departments, C.N.R.
- Mr. T. H. Cooper, Comptroller, C.N.R.
- Mr. O. A. Matthews, of George A. Touche & Co., Auditors.
- Mr. F. M. MacLennan, Railway and Financial Services, Dept. of Transport.

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PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1943



REPORT TO THE HOUSE

SECOND REPORT

MONDAY, April 5, 1943.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government, begs leave to present the following as its

SECOND REPORT

Your Committee has considered the following items of the Estimates referred to it on March 29, 1943, and approves of same, viz.:—

Vote No. 385—Maritime Freight Rates Act—Canadian National Railways.....	\$3,350,000 00
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Vote No. 386—Maritime Freight Rates Act—Railways other than Canadian National.....	900,000 00
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Vote No. 405—Canadian National (West Indies) Steamships, Limited—Capital advances.....	20,000 00
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Vote No. 406—Prince Edward Island Car Ferry and Terminals—Deficit, 1943	475,000 00
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All of which is respectfully submitted.

J. P. HOWDEN,
Chairman.

MINUTES OF PROCEEDINGS

FRIDAY, April 2, 1943.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government, met at 10.30 a.m., the Chairman, Mr. Howden, presiding.

Members present: Messrs. Donnelly, Dubuc, Durocher, Emmerson, Hanson (*Skeena*), Hanson (*York-Sunbury*), Harris (*Danforth*), Howden, Jackman, McCulloch, Michaud, Nicholson, Ross (*Middlesex-East*), Shaw and Sissons.

In attendance: Commander C. P. Edwards, Deputy Minister of Transport, Mr. R. C. Vaughan, Chairman and President, Canadian National Railways, Mr. N. B. Walton, Executive Vice-President, Mr. T. H. Cooper, Comptroller, and other officials of the Canadian National Railways; Mr. O. A. Matthews of George A Touche & Co., Auditors.

The Committee resumed consideration of the Annual Report of the Canadian National Railway System for the year ended 31st December, 1942.

Messrs. Vaughan, Walton and Cooper were recalled and examined on the Consolidated Balance Sheet, Income Account, Profit and Loss Account, Operating revenues and expenses, equipment, etc.

Mr. Vaughan filed a statement respecting the hotels operated by the C.N.R., and a breakdown of income and profit and loss accounts. (*Incorporated in minutes of evidence*).

At 1.00 o'clock, the Committee adjourned until 3.30 p.m.

AFTERNOON SITTING

The Committee met again at 3.45 p.m., the Chairman, Mr. Howden, presiding.

Members present: Messrs. Donnelly, Dubuc, Emmerson, Gray, Hanson (*Skeena*), Howden, Jackman, McCulloch, Nicholson, Ross (*Middlesex East*), Shaw and Sissons.

The Committee gave further consideration to the Annual Report of the Canadian National Railway System for the year ended December 31st, 1942.

Messrs. Vaughan, Walton and Cooper were further examined on the said Report.

On motion of Mr. Donnelly,—

Resolved,—That the Annual Report of the Canadian National Railway System for the year ended 31st December, 1942, be adopted.

The Committee then proceeded to consider the Canadian National Railways Budget for the year 1943, Messrs. Vaughan and Cooper being questioned thereon.

On motion of Mr. McCulloch,—

Resolved,—That the Canadian National Railways Budget for the year 1943 be adopted.

The following items of the Estimates for the fiscal year ending March 31, 1944, were considered, viz.:—

Vote No. 385—Maritime Freight Rates Act—Canadian National Railways	\$3,350,000 00
--	----------------

Vote No. 386—Maritime Freight Rates Act—Railways other than Canadian National.....	900,000 00
--	------------

Vote No. 405—Canadian National (West Indies) Steamships, Limited—Capital Advances.....	20,000 00
--	-----------

Vote No. 406—Prince Edward Island Car Ferry and Terminals—Deficit, 1943.....	475,000 00
--	------------

On motion of Mr. Hanson (*Skeena*),—

Resolved,—That the said estimates be approved and that the Chairman report accordingly to the House.

The Annual Report of Canadian National (West Indies) Steamships, Limited, for the calendar year 1942 was read by the President, Mr. Vaughan.

On motion of Mr. Emmerson,—

Resolved,—That the said Report be adopted.

The Committee then proceeded to the consideration of the Annual Report of the Canadian National Railways Securities Trust for the year ended December 31, 1942.

On behalf of Dr. W. C. Clark, Deputy Minister of Finance and Chairman of the Trustees, Mr. F. M. Maclellan, Railway and Financial Services, Department of Transport, read the report.

On motion of Mr. Emmerson,—

Resolved,—That the said Report be adopted.

Mr. O. A. Matthews, representing George A. Touche & Co., Auditors, was called. He read The Auditors' Report to Parliament for the year ended 31st December, 1942, on the Canadian National Railway System, the Canadian National Railways Securities Trust, Trans-Canada Air Lines and Canadian National (West Indies) Steamships, Limited.

Following examination of Mr. Matthews, the Auditors' Report was adopted on motion of Mr. Hanson (*Skeena*).

Witness retired.

On motion of Mr. Gray,—

Resolved,—That a subcommittee consisting of the Chairman and Messrs. McCulloch, Shaw and Jackman, be appointed to draft the Committee's Report to the House.

On motion of Mr. Hanson (*Skeena*) the Committee adjourned to the call of the Chair.

R. ARSENAULT,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

April 2, 1943.

The Standing Committee on Railways and Shipping met this day at 11 o'clock a.m. The Chairman, Mr. J. P. Howden, presided.

The CHAIRMAN: Order; we were at the balance sheet yesterday.

Mr. HANSON (*Skeena*): Page 12.

Mr. VAUGHAN: There are one or two statements which were asked for, Mr. Chairman. There was a statement in respect of hotels. I will file it so it will go on the record.

HOTELS—OPERATING INCOME

	1942	1941	Gain or Loss
Account 502 Revenues from otel Operations..	\$4,895,506.40	\$4,467,078.53	\$428,427.87
Account 534 Expenses of Hotel Operations. . .	4,174,077.36	3,733,762.27	440,315.09
Account 535 Taxes on Hotel Property	151,705.62	141,815.55	9,890.07
	<u>\$ 569,723.42</u>	<u>\$ 591,500.71</u>	<u>\$ 21,777.29</u>

INDIVIDUAL HOTELS

Year 1942	Revenues	Expenses	Taxes	Net
Charlottetown	\$ 106,872.89	\$ 107,061.33	\$ 4,899.00	\$ 5,087.44
Pictou Lodge	17,776.21	20,378.01	316.00	2,917.80
Nova Scotian	694,949.83	550,958.34	15,746.35	128,245.14
Chateau Laurier	2,095,889.30	1,651,869.19	64,587.72	379,432.39
Prince Arthur	196,849.39	185,401.47	6,476.11	4,971.81
Minaki Lodge	76,189.45	54,065.39	236.75	21,887.31
Fort Garry	473,706.60	418,808.43	29,566.84	25,331.33
Prince Edward	141,716.89	132,913.07	4,114.37	4,689.45
Macdonald	568,629.44	474,331.70	16,583.88	77,713.86
Jasper Park Lodge	187,435.05	245,827.58	6,152.27	64,544.80
Bessborough	335,491.35	332,462.85	3,026.33	2.17
	<u>\$4,895,506.40</u>	<u>\$4,174,077.36</u>	<u>\$151,705.62</u>	<u>\$569,723.42</u>

Year 1941				
Charlottetown	\$ 107,829.07	\$ 102,473.79	\$ 4,562.67	\$ 792.61
Pictou Lodge	28,597.59	28,104.96	321.94	170.69
Nova Scotian	603,286.42	481,569.55	12,930.38	108,786.49
Chateau Laurier	1,759,514.59	1,290,283.00	63,487.59	405,744.00
Prince Arthur	208,032.97	181,726.46	6,073.83	20,232.68
Minaki Lodge	71,122.58	63,317.60	416.00	7,388.98
Fort Garry	415,601.82	379,538.18	27,761.25	8,302.39
Prince Edward	131,541.61	131,966.54	3,658.01	4,082.94
Macdonald	418,741.72	399,670.93	15,245.14	3,825.65
Jasper Park Lodge	429,699.00	374,121.82	5,486.32	50,090.86
Bessborough	293,111.16	300,989.44	1,872.42	9,750.70
	<u>\$4,467,078.53</u>	<u>\$3,733,762.27</u>	<u>\$141,815.55</u>	<u>\$591,500.71</u>

Then I am not sure whether it was Mr. Hanson or Mr. Jackman who asked for a breakdown of the other income and profit and loss accounts. I will put that in here.

OTHER INCOME AND PROFIT AND LOSS ACCOUNTS, YEAR 1942

Debit Accounts

Railway Tax Accruals	\$ 6,020,140	74
Hire of Freight Cars—Debit Balance.....	5,115,873	74
Rent for Locomotives.....	62,772	33
Rent for Passenger-Train Cars.....	495,442	65
Rent for Floating Equipment.....	17,883	33
Rent for Work Equipment.....	7,325	35
Joint Facility Rents—Debit.....	2,383,882	98
Miscellaneous Rents—Debit	541,459	33
Miscellaneous Tax Accruals	96,057	78
Miscellaneous Income Charges and Appropriations.....	2,291,787	85
Rent for Leased Roads and Equipment.....	1,483,345	19
Interest on Unfunded Debt.....	192,017	48
Amortization of Discount on Funded Debt.....	1,012,379	87
Loss from Retired Road and Equipment—Debit.....	2,356,466	06
		<hr/>
		\$22,076,834 68

Credit Accounts

Rent from Locomotives.....	108,629	51
Rent from Passenger-Train Cars.....	276,871	98
Rent from Floating Equipment.....	10,413	38
Rent from Work Equipment.....	107,544	10
Joint Facility Rent Income.....	1,874,215	00
Net Hotel Operating Income.....	569,723	42
Income from Lease of Road and Equipment.....	55,002	57
Miscellaneous Rent Income.....	796,904	21
Miscellaneous Non-Transportation Property—Credit.....	351,632	50
Separately Operated Properties—Profit.....	629,843	17
Dividend Income	372,336	75
Income from Funded Securities.....	2,380,836	57
Income from Unfunded Securities and Accounts.....	301,051	74
Income from Sinking and Other Reserve Funds.....	199,163	57
Miscellaneous—Income.....	1,295,022	30
Miscellaneous—Credit	137,236	06
		<hr/>
		9,466,426 83
		<hr/>
		\$12,610,407 85

I think it was Mr. Hanson who asked for some information in regard to our grain rates in the west as compared with the rates on the United States lines. I have some figures here which I might mention which will indicate the difference in the rates. The rate in Canada from Regina to Fort William, 776 miles, is 20 cents per 100 pounds. From Glasgow, Montana, to Duluth a distance of 779 miles, the rate is 38 cents. That is nearly double the Canadian rate.

Hon. Mr. HANSON: That is a comparable haul, is it?

Mr. VAUGHAN: Yes, comparable in every respect. Going the other way to the Pacific coast the rate from Wilson, Alta., to Vancouver, 780 miles, is 22 cents. From Helena, Montana, to Seattle, 775 miles, it is 42 cents. We have taken the nearest mileages we could in the United States.

Mr. HANSON (*Skeena*): Is that the export rate or the domestic rate?

Mr. VAUGHAN: It is the export rate.

Hon. Mr. HANSON: I do not want to labour this question but there is great complaint in our country about the domestic rates as against the export rates. It has been stated on many occasions—I think it is true—that in the days before the war you could ship grain or flour from Canada to Antwerp and back to Halifax cheaper than you could bring it from the west to Halifax. Is that situation correct?

Mr. VAUGHAN: I would be surprised at that, Mr. Hanson. We have not got the exact rates with us, but the rates, as you know, are all subject to the approval of the Board of Transport.

Hon. Mr. HANSON: Of course, there is a great differential between the export rate and the domestic rate?

Mr. VAUGHAN: The export rates are lower than the domestic rates.

Hon. Mr. HANSON: Very much lower in a case of that kind, are they not?

Mr. VAUGHAN: The export rates are nearly always lower than the domestic rates.

Hon. Mr. HANSON: I realize that. You would not like to say it is quite as bad as I suggest?

Mr. VAUGHAN: I do not think it would be.

Hon. Mr. HANSON: Well, it is bad so far as the people of the Maritimes are concerned.

Mr. VAUGHAN: I have not heard any complaint from the Maritime provinces in regard to the rates for a long time.

Hon. Mr. HANSON: All you have to do is mention it.

Mr. HANSON (*Skeena*): Until we got a cheaper rate for feed grain to British Columbia a few years ago they could ship feed grain to Japan and China cheaper than they could ship it to the Fraser valley, but that was adjusted some years ago.

Mr. VAUGHAN: There is one other question. I think it was Colonel Ross who raised the question about sleeping car accommodation. He asked why we would reserve a section for one man when there was a shortage of accommodation. We have been in touch with that matter since the question was discussed here yesterday. Mr. Walton has some information he can give you on the subject.

Mr. WALTON: What I find is that the sale of a section for one passenger occupancy is a tariff regulation which is on file with the Board of Transport Commissioners and cannot be changed without the consent of the wartime prices and trade board. Our people are preparing an application now in conjunction with the Canadian Pacific asking for the cancellation of that provision so as to open up all that space for use by the greatest number of people.

Hon. Mr. HANSON: That is quite justified. In the days of low traffic they besought you to take a full section, but I do not believe you are justified in maintaining that now. I agree you are right.

The CHAIRMAN: We were on page 13.

Mr. VAUGHAN: We were on the liabilities side of the balance sheet.

Hon. Mr. HANSON: Had you finished the assets?

Mr. VAUGHAN: Yes, we finished the assets last night.

Mr. JACKMAN: Just before you go on I understand there was one increase in passenger rates, namely from some point in the east to the Pacific coast? I understand it was to accord with some change in the American system and in order that our line would be on a competing basis, but there is a certain amount of feeling out on the western coast that rate was, if not unjustified, at least discriminatory against people living on the coast?

Mr. VAUGHAN: That is true. There was some small adjustment.

Mr. JACKMAN: Was it very small?

Mr. VAUGHAN: Yes, the increased revenue to the railways is very small in connection with it.

Mr. JACKMAN: On a ticket how much?

Mr. VAUGHAN: It was something that was necessary to be done on account of our arrangements with the United States lines.

Mr. JACKMAN: How much was the increase in the rates for passengers here?

Mr. VAUGHAN: I have not got those figures. We could give them to you. Our total increased revenue for the railway would be something like \$100,000 on account of the adjustment in passenger rates brought in by the increase in the United States.

Mr. JACKMAN: Why do we have to follow the increase in the United States? Why could we not go on our own, particularly in wartime?

Mr. VAUGHAN: We have many favourable arrangements with the United States lines in regard to international rates and transcontinental rates and they notified us that unless we went along with them they would withdraw these international rates which we have been trying to build up for a period of 50 years, and that would have left us out on a limb.

Mr. JACKMAN: Have you had very much of a repercussion on the western coast?

Mr. VAUGHAN: No, the complaints have been few. I have not got my file with me but I have only heard of one or two complaints.

Mr. JACKMAN: Yesterday I gave the management a rather blanket endorsement; from what I could see of them they were endeavouring to do a very good job operating under public ownership with the virtues and effects of that system. I was speaking also about this practice of feather bedding, and you have told me that as far as the management is concerned that you have no reason to ask for any change in that connection, that the practice as at present operating is quite satisfactory. I wonder if you would be good enough to tell me how far the cab men—I believe that is the classification—take a modern train for a day's run in order to earn a day's pay? You know what I am driving at anyway, Mr. Vaughan, whether I have expressed myself in railway language or not?

Mr. VAUGHAN: I will let Mr. Walton explain that.

Mr. WALTON: One hundred miles is considered as a day's work in this sense, that there is a regulation which would prevent us, for instance, from calling a locomotive engineer out for service, having him go through the necessary preparatory moves, take his engine and train and then run say ten miles, and we say, "that is all for today; you have done ten miles; you will be paid for ten miles." There is a minimum of 100 miles once he starts on a road trip in order, as I say, that he will not be called out under conditions such as I have spoken of. 100 miles is a day in that sense but if it is 125 miles from one terminal to another he is paid for the 125 miles.

Mr. JACKMAN: On a mileage basis?

Mr. WALTON: On a mileage basis.

Mr. JACKMAN: What happens, let us say, on the route from Montreal to Toronto, which is 330 odd miles, is it not?

Mr. WALTON: 333 or 334.

Mr. JACKMAN: Does one engineer and cab crew handle the locomotive?

Mr. WALTON: No, one train crew runs through but as regards the engine crew one run is Montreal to Brockville, and one Brockville to Belleville, and one Belleville to Toronto.

Mr. JACKMAN: You have three runs?

Mr. WALTON: Yes.

Mr. JACKMAN: It takes three runs for the whole journey?

Mr. WALTON: It is approximately 125 miles from Montreal to Brockville, ninety-five miles from Brockville to Belleville, and 112, or thereabouts, from Belleville to Toronto.

Mr. JACKMAN: How many hours does it take to go from Montreal to Toronto?

Mr. WALTON: On passenger trains, from six hours and forty-five minutes to eight hours, according to the different trains. I am speaking of passenger trains now.

Mr. JACKMAN: You have three different crews?

Mr. WALTON: Yes.

Hon. Mr. HANSON: Three different engine crews.

Mr. WALTON: Yes.

Mr. JACKMAN: Is there anything physically to make it an over-arduous task for one cab crew to do the through run?

Mr. WALTON: It is considered too arduous and I think the argument is correct. On no run that I know of anywhere is anything like 334 miles undertaken straight away.

Hon. Mr. HANSON: It is a part of the working conditions with the union, is it not?

Mr. WALTON: As far as the working conditions of the union are concerned they prescribe a change-off at these respective terminals. All we would save by running one engine crew clear through on this undoubtedly long run, as against changing them the way we do, is in the cost of that middle trip from Belleville to Brockville or Brockville to Belleville where we now have to pay 100 miles for 95, but the others are over 100 miles anyway so they get the actual miles from Montreal to Brockville and Belleville to Toronto.

Mr. JACKMAN: I realize it may not make very much difference whether you change crews or not as long as you have to operate under union rules.

Mr. WALTON: Just a moment; in that regard apart from any union rules, if the union rules were not there, we would not contemplate running men on locomotives straight away for 334 miles.

Mr. JACKMAN: I quite realize that. In other words though, if it takes six and three-quarter hours to eight hours to do this run and you have three different crews what on earth do the men do the balance of the day?

Mr. WALTON: Is that a matter of concern?

Mr. JACKMAN: Their leisure time is not our concern or yours but the average time is two and a half hours even allowing for a 7 and a half hour average run. Surely a man does not earn a day's pay in two and a half hours.

Mr. WALTON: As I say, the 100 miles is taken as the equivalent of a day's pay for the purpose I have spoken of, so that we will not call a man on duty, with all the preparation that goes with it, for a very few miles.

Mr. JACKMAN: You cannot call a man on duty for ten or twenty miles, and that is quite right. There should be a rule that you must not do that without compensating him adequately. But on the other hand, it does seem to be pretty ridiculous in these days, when you are operating under war necessity, with an acute shortage of train men such as engineers and so on, that they should get a day's pay for two and a half hours work, and they do no more work for the rest of the day. Do they do any more work for the rest of the day?

Mr. WALTON: Of course, they get their engine ready at the start of the trip. There are certain duties at the completion of the trip. They have to take the engine to the round house and so on. I might mention also that these are odd cases, and in the total there are a very small proportion, of men with runs such as you speak of. There are a great many with slower runs, passenger, and still slower runs freight, where the hours worked as compared with the miles are a great deal longer than this particular high speed line which you have chosen to refer to; and also, of course, it is the senior men who hold runs such as we are looking at of Montreal-Toronto. They have put in anywhere from twenty to thirty or thirty-five years working up to a run of that kind, which may have been some consideration.

Hon. Mr. HANSON: I think it is a well established system. It has been operating all right for years. You take the run from Windsor station, Montreal,

to St. John, New Brunswick. They have five different crews on the engine on that run, and it is less than 500 miles. The train crews change once at Megantic. That is the conductor. It is a well-established principle in railway operations. I do not understand the term "feather-bedding" myself. I have never heard it before.

Mr. JACKMAN: It is too-well established, perhaps.

Mr. WALTON: I think the reference to "feather-bedding", if I may just say so, in some of these articles that have been written, refers, in some measure at least, to decisions that have been given by the National-Labour Board in the United States, some of them causing long retroactive payments where the question has been in dispute for a considerable time. In Canada we have a Board of Adjustment on which the various roads and the brotherhoods are represented; and the manner in which the various grievances, some of which may involve questions of the manner of paying for a certain run, have over a period of years been adjusted in a manner which I can say quite satisfactory to the railways; and in no case that I can recall have retroactive payments of any extent—possible briefly, but no great extent—been involved. Some of these cases in the United States have involved retroactive payments reaching back two years or more and many thousands of dollars paid to the men who are alleged to have been aggrieved by these conditions. We have nothing like that in this country.

Mr. JACKMAN: I have only chosen the Montreal to Toronto run because it is natural for me to do so, living as I do in one of those cities. But it happened to be a rather bad case, apparently. Are there not other runs which are somewhat similar in the working out of the crews?

Mr. WALTON: I suppose it is inevitable, when years ago the mileage basis was accepted as a means of payment for the so-called running trades, that you would get a few cases where with an extremely fast or quite fast service making the miles quickly, the resultant number of hours worked would be small. But on the whole, I think the mileage basis of payment for men who earn their livelihood by running the miles is a fair and reasonable way to pay for it. There is a certain encouragement to get over the road in good time when they can; and if, due to no fault of their own, delays creep in, then they get paid overtime. But the method of payment by mileage, I think, is a fair proposition. Always you can put your finger on an occasional case like I speak of where presumably undue compensation may creep in or a short day be involved.

Mr. JACKMAN: What puzzles me about this is that 100 miles a day seems like a very small run. I think it does to most railway men too. Am I correct in that assumption?

Mr. WALTON: Yes. But the 100 miles applies equally to the way-freight and the switching train which probably takes ten or twelve hours to cover this 100 miles. I should like to impress on you that the 100 miles is a so-called day chiefly for the purpose. I have mentioned at the outset, for protection against a call for one half hour's work, and then say that is all you get for the day.

Mr. JACKMAN: A day's operation is not confined to that?

Mr. WALTON: No. It is not confined to that.

Mr. JACKMAN: It works a hardship against the war effort. I appreciate your point of view, but I find human nature to be the same in all classes of people. If I were in your shoes, I would not want to disturb the relation with my employees, because I have got a big job on my hands. I want to keep the traffic moving. You are not as much concerned whether the costs are perhaps a little bit more than they might be, as you would be if you were on the verge

of bankruptcy, you were about to perhaps lose your position and the railway pass in to some other person's hands. I suppose that these rules apply to your rivals as well as applying to yourself, perhaps for the same reason. But you have no pressure brought to bear on you, as I see it, to cause changes to be made where you think there may be unfairness at the present time.

Mr. WALTON: Possibly I should clear up a point that I have not made clear enough. Since wartime traffic has been handled in the present volume, we have had a good many cases where men in the running trades, by reason of the irregularity of their runs—and to a certain extent this short day you speak of creeping in—have had eighteen to twenty-four hours, or possibly a little longer in some cases, of lay-over. We have said, "Here, will you be available for a trip in between?" They have said, "Yes." And they have gone out. This does not interfere with good manpower usage in times of necessity. It is true when they are assigned to certain runs, if other men are available, they have the preference. But we have found that many of these men who are on so-called regular runs, where there is time in between to make a trip which is of not too great a length, are entirely willing to do so and do respond. So that if your question is from the angle of so-called loss of manpower, that has been explored and there is no particular loss.

Mr. JACKMAN: Let us assume that the men are the same as they are everywhere else, with a good high average of patriotism and will work; notwithstanding that they do get high wages, a great deal flows back into the treasury through taxation. But you could do with fewer men; or I will put it this way: you have got the maximum of effort out of it, but it is costing the country a great deal more money because these men have two days, if you like, spare time and you ask them for an extra day's work and they willingly respond. But you have to pay them for that extra job.

Mr. WALTON: We have to pay them, but they only get the going rate on the job they go out on. They do not get any inflated pay because of a job they do during a lay-off period. If they take the job we ask them to go out on, they get the going rate.

Mr. JACKMAN: I realize they may not get time and a half or double time, as they do in some cases.

Mr. WALTON: No, they do not.

Mr. JACKMAN: But they are fairly well-paid people, to start with, and they get extra pay. I noticed that from these articles; and I presume, like all articles, they pick out the highlights in order to make it interesting. I should think it would be of great interest to hear from you as to what other branches of your line have a similar situation as that which obtains in the line from Montreal to Toronto. Where else have you got the obvious situation where you could eliminate one out of three shifts?

Mr. WALTON: I do not know that there are very many, but we arranged at least six months ago for our different territorial managements to review the various set-ups on runs, just with a view to taking advantage of any opportunity which there might be such as I have spoken of, to work in additional work on top of a regular assignment, if the business reached a point where more men were needed and that was the only way of getting them. That has been explored and they have a set-up made so that they can take advantage of it as the occasion might require.

The CHAIRMAN: Mr. Walton, does not the physical exhaustion element underlie this whole thing?

Mr. WALTON: It has to be given consideration right along. You cannot expect a man to—for instance, your question about one engine running straight through from Montreal to Toronto—men will not stand as much as machines will. It cannot be done.

Mr. JACKMAN: I realize that. You have three crews while you admit it could be adequately done by two.

Mr. WALTON: It is just the question of the run from Brockville to Belleville.

Mr. JACKMAN: Would you answer yes or no, two crews would be adequate to take the train from Montreal to Toronto?

Mr. WALTON: I think they might be.

Mr. JACKMAN: Without undue wear on the personnel?

Mr. WALTON: It is quite doubtful.

Mr. JACKMAN: You say it is quite doubtful?

Mr. WALTON: Yes, to do it in two; I do not think it is a reasonable proposition.

Mr. JACKMAN: You think then that 100 miles is a fair day's work for the cab men.

Mr. WALTON: No, not necessarily. One cannot answer such a question categorically. In miles, under the most favourable conditions, it is an extremely light day's work. One hundred miles under maximum conditions of way freight and switching at many points is a full day's work for anybody.

Hon. Mr. HANSON: Is there not a distinction in working conditions as between passenger, express, freight services? I thought there was.

Mr. WALTON: There are differences in rates, of course.

Hon. Mr. HANSON: Different rates of pay as to that?

Mr. WALTON: Yes.

Hon. Mr. HANSON: Let me say this: is it not a fact that this point is a matter which has been faced over a long period of years and you have arrived at a certain result after long negotiations with the unions?

Mr. WALTON: That is correct, sir.

Hon. Mr. HANSON: And nobody wants to disturb the position.

Mr. WALTON: That is correct.

Mr. JACKMAN: But, there is a war on.

Hon. Mr. HANSON: I know. So far as I am concerned, I have no criticism to offer; and I have known very many locomotive engineers in my life time and have had some very good friends among them; and they do not live to be old men, they are running jerk water freight trains on the branch lines and when their retirement age comes they are ready to retire, most of them. That has been my experience with them.

Mr. VAUGHAN: These men have considerable responsibility, in addition to at times having 700 or 800 passengers they have a million dollars worth of property behind the engine.

Mr. NICHOLSON: During some of the weather we have had this winter it would be hardly feasible to ask crews to run from Montreal to Belleville, that would be too long a run; and it would be hardly feasible to set up a terminal half way between Montreal and Toronto. Taking all things into consideration I think the men on these trains do a good day's work from the time it takes to get ready for the run and put the engine away. I think it is unfair to step on to the train in the parlour-car and assume that because we can travel from Montreal to Brockville in a couple of hours that the engine crew must do the same thing. It is equally unfair to assume that every member of parliament works twenty-four hours a day the week round; those are the hours that the house is in session, and most of us find we have a lot of work to do before the house meets and after it rises; and so with the engineer and firemen, they have

work to do before they start their run. I think it would be a very unpopular move on the part of the Canadian National to make a change and increase that 100 miles to say 150.

Mr. VAUGHAN: It would be impossible for the Canadian National Railways to do it. It simply could not be done. These schedules are in effect all over the United States and Canada. One hundred miles has been recognized as the basic rate for computing compensation for at least fifty years. It certainly would be unwise to suggest making a change in the middle of a war.

Mr. JACKMAN: Fifty years; is that the length of time since it was established as one hundred miles?

Mr. VAUGHAN: It goes away back. I can remember it for over forty years.

Mr. JACKMAN: One hundred miles constitutes a day's run?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: Of course, what lies behind this whole thing is the improvement in the type of engine that you have, in road beds and so on with a result that a man can do a much bigger day's work; and while some of these rules might have a real basis to them for spreading work when there is not enough to go around, nevertheless when the country is having an acute shortage of man-power I do think you should be able to get some amelioration of the rules as long as we have the emergency.

Mr. WALTON: There may be some force in the argument as to the better motive power and the better conditions of the road bed, that have enabled men in many cases to earn their day's pay in a shorter time. It has also enabled an improvement of delivery for the railway with the result that a good many more ton miles can be handled in the same length of time.

Mr. JACKMAN: Of course.

Mr. WALTON: It is a two-way advantage anyhow.

Mr. JACKMAN: Your unit costs are not going up, but you cannot expect people to take all of the profits to themselves, it must be spread among the public, as our standard of living increases generation after generation. Your argument is untenable.

Mr. WALTON: It goes to the public in the form of better operating performance which we have been able to give.

Mr. JACKMAN: Mr. Vaughan, you have what is known as a stereo rail car; what is that, a single car?

Mr. VAUGHAN: It is a single car which has a device on it for detecting transverse fissures and other defects in the rails.

Mr. WALTON: It is a diesel-operated single unit car manned by the experts who operate the machines in it for detecting flaws; plus a conductor and flagman to handle the train orders and operations over the road while it is doing the work necessary to check up rail conditions.

Mr. JACKMAN: How many in the total crew?

Mr. WALTON: I think it is operated with a conductor and flagman; I would not be positive about that at the moment.

Mr. JACKMAN: How many men do they carry all the time?

Mr. WALTON: It carries, I think, three in the crew; but we do not pay them, we have a contract with the company who owns the car. Other than the employees whom we supply to get the car over the road, the wages of any of the men who may be supplied are provided for in the contract.

Mr. JACKMAN: So you are using three of a crew on this car.

Mr. WALTON: Two, if I remember correctly.

Mr. ROSS: I think there is certain merit in Mr. Jackman's statement, Mr. Walton; if you follow this train from Montreal to Chicago.

Mr. WALTON: In what regard?

Mr. JACKMAN: With respect to the changing of the cab crews.

Mr. ROSS: On the run from Montreal to Chicago, considering the number of sections.

Hon. Mr. HANSON: That is on the international run?

Mr. ROSS: Yes.

Mr. WALTON: The next section of that run is Toronto and Sarnia.

Mr. JACKMAN: That is a long run, about how far?

Mr. WALTON: It is around 170 miles. And now, if you are comparing the day's run—

Mr. ROSS: Just follow that through, will you please?

Mr. WALTON: Then Port Huron to Battle Creek, which is about 160 miles; and Battle Creek to Chicago, which is just about another 160 or 165 miles.

Hon. Mr. HANSON: And it takes six crews to run—how many miles?

Mr. WALTON: Roughly, 800.

Mr. ROSS: How many sections?

Mr. WALTON: There are six operating sections; three from Montreal to Toronto, one from Toronto to Sarnia, and two from there to Chicago.

Hon. Mr. HANSON: Then, with respect to these operating sections, I suppose you cannot arbitrarily stop at 100 miles or 150 miles

Mr. WALTON: No, sir. You have to go to the round house terminal because that is where your facilities are.

Hon. Mr. HANSON: But you have three crews from Toronto to Chicago travelling a good deal further than the three crews from Montreal to Toronto. There seems to be some inequity there.

Mr. WALTON: Yes. When you compare the unequal distance per trip but there is also an overall maximum on these mileages, so that if a man makes more miles on his single trip he will make less trips a month.

Hon. Mr. HANSON: That does not help you very much because you are employing other cab men.

Mr. JACKMAN: Yes, and you are not using your manpower to its maximum.

Mr. WALTON: Except for the three men I spoke of a few moments ago—where they are short runs or a long lay over, we use them on extra runs, as I have indicated.

Mr. JACKMAN: What is the average maximum that a man will work; or, that you would give him; or, who sets the limit?

Mr. WALTON: There is a general maximum now. Generally in the freight service it is around 3,800 miles a month and in passenger service it is around 4,800. I am just speaking from memory. I am not sure that my figure is right.

Mr. JACKMAN: Yes, it is right. One hundred and sixty miles a day, that would be 4,800 for a passenger run; and 3,800 or 127 miles per day in the freight. In an article I have before me which appeared in the *Readers' Digest* for March—I imagine this is general information about conditions on the railways in the United States—it says:—

“The crew in the cab of the B & O's Royal Blue between New York and Washington may work only one day in three. On the southern Pacific's Los Angeles-San Francisco Daylight, the engine crew is permitted to make only 12 runs a month. If the unions would let

engineers on the Union Pacific's Streamliner work six 8-hour days per week for one month, these men would earn \$2,000 and the rules would require them to lay off four months to catch up with their mileage limitation." This is true also of the Santa Fe's Super-Chief and the Milwaukee's Hiawatha.

In our investigation, we asked nearly every railroad workman with whom we talked if he thought 4800 passenger miles a month was the limit of work an engineer or a fireman could do safely and efficiently.

'Hell, no,' frequently was the reply. 'It might have been 40 years ago, when the rule was first cooked up,' one veteran engineer declared. 'I'd like to handle this run every day for the duration. But I'd be making more money than most vice-presidents and it wouldn't look so good the next time we ask for a raise. So the union holds me down to around \$400 a month.'

Is that foolish talk by a reporter or is it fairly well in accordance with the facts and does it apply to the Canadian situation as well as to the American?

Mr. WALTON: I do not know that I can set a limit on what a man's physical endurance would be for a month. 4,800 miles, as I mentioned a moment ago, is what we recognize as a month's run in passenger service; but so far as the unions or brotherhoods are concerned they have gone along with us in making any additional use that we want to of the men up to what they feel their physical condition will stand if we require it.

Hon. Mr. HANSON: Is not the Toronto-Montreal run rather an extreme illustration?

Mr. WALTON: That is our heaviest main line section, yes.

Mr. JACKMAN: Are there any peculiar rules affecting switching?

Mr. WALTON: Switching?

Mr. JACKMAN: Yes, that would not seem reasonable to anyone who was not familiar with it.

Mr. WALTON: I do not know just what you refer to; I cannot think of what might be the point, Mr. Jackman. If you can outline it more definitely I will give you the best answer I can.

Mr. JACKMAN: Do you have a practice which is termed in the States "returning light"?

Mr. WALTON: That applies largely to a great many of the large terminals in the United States. It is a proposition in connection with interchange of traffic between two railroads, and they do over there what I think is rather an iniquitous practice in that if the crew of road A delivered, say, traffic to road B then they come back with just the engine because road B had a right to the work on that traffic, and the crew of road A would just bring back their engine. We have very little of that in this country because of the absence of the extremely large terminals involving in some cases many miles to travel to make the transfer from one terminal to the other, and I honestly do not know of any cases in Canada where there is any hardship in that regard.

Mr. JACKMAN: I did not say hardship.

Mr. WALTON: I am not trying to evade the point. In most of these locations the so-called interchange tracks are reasonably close, and they leave cars on one track and pick up cars on another track and bring them back. There is not any—

Mr. JACKMAN: They do not travel light in Canada; I gather from what you say that there is no reason why they should travel light in Canada.

Mr. WALTON: I do not know about the reasonableness of it because of the fact we have no difficulties over it; the picture is not as extreme, would not be in any case in Canada.

Mr. JACKMAN: Due to circumstances?

Mr. WALTON: Due to circumstances and the absence of these very large terminals such as extend many miles out from Chicago.

Mr. JACKMAN: If the average engineer's run is 4,800 miles a month how is his basic pay determined? It is determined on the 100-mile route, but how is it arrived at?

Mr. WALTON: How is he paid?

Mr. JACKMAN: Yes.

Mr. WALTON: He is paid on a time basis converted into miles because all his earnings for the month total up to so many miles. He is paid on a time basis converted into miles at twenty miles an hour for getting his engine ready or any other preparatory work there may be before going out on the run.

Mr. JACKMAN: How much work does the engineer and the fireman do in the preparation of the engine?

Mr. WALTON: It is not so much a matter of preparation as prior inspection; that is, what we call terminal inspection. He has to know that the machine he is going to take out is satisfactory to him; no matter what the shop staff may certify that they have done on the locomotive, the man who is going to run it is saddled with the responsibility of knowing on his own check-up that it is all right.

Hon. Mr. HANSON: He has that responsibility and is paid for it?

Mr. WALTON: He is paid for it.

Hon. Mr. HANSON: How long has that rule of half an hour before—

Mr. WALTON: Half an hour?

Hon. Mr. HANSON: He has half an hour to put away his engine?

Mr. WALTON: Yes.

Mr. ROSS: He wants a last look at the gun.

Mr. WALTON: Yes. As soon as he turns a wheel leaving town he starts on miles. He is on miles until he reaches the other terminal. If for any reason any passenger train fails to make 20 miles an hour, which is the overtime limit, then he goes on overtime. In other words, he is paid miles or hours on the route, whichever is the greater.

Mr. JACKMAN: Suppose I go to the roundhouse and take my engine to Montreal, starting from Toronto. I get half an hour for inspection. Does that account for ten miles?

Mr. WALTON: Yes.

Mr. JACKMAN: Now, I get into the cab and I start off. Then the first section is Brockville. How many miles is that from Montreal?

Mr. WALTON: One hundred and twenty-five.

Mr. JACKMAN: That is five and one-quarter hours, is it?

Mr. WALTON: No, we do not put that into hours if he makes it straightaway. He gets a certain rate per mile and he gets 125 times that rate.

Mr. JACKMAN: What is the rate per mile?

Mr. WALTON: I would have to look that up.

Mr. JACKMAN: Give me it roughly.

Mr. WALTON: There are different rates. We have the rate, starting with the smallest locomotive that takes a rate at so many cents and a fraction per hour. It would probably be around 6.3. Now, that is purely from memory.

Mr. JACKMAN: Six point three cents per mile?

Mr. WALTON: Yes.

Mr. JACKMAN: That would be \$7.25 to \$7.50, somewhere around there. He has got half an hour already. That gives another ten miles.

Mr. WALTON: Yes.

Mr. JACKMAN: That would be 63 cents or a total of \$8.13 which he gets. Is that all he makes for the day?

Mr. WALTON: There is also provision for final time at Brockville so that it may be—

Mr. JACKMAN: Another half an hour? That is not very excessive. How do you get the rate up? \$8.73 is not a large sum. Where does he get the extra money? \$8.73 a day is not going to give him a tremendous amount for his work.

Mr. WALTON: No.

Mr. JACKMAN: It is not going to give him enough.

Mr. WALTON: No.

Mr. JACKMAN: How does he get the rest of the money?

Mr. WALTON: The rest of what money?

Mr. JACKMAN: He is earning \$4,000 to \$5,000 a year at least.

Mr. WALTON: No. You may remember yesterday I said there may be a few cases of engineers getting up to \$5,000 a year; that is the very point I have been trying to make. While there may be a few cases to reach these higher figures, there will not be a great many, and if you find very many of the really high-paid men I think you could take it as a fact that they have put in very long hours to make this larger amount of money.

Hon. Mr. HANSON: What you are telling us is that the conditions that used to obtain with regard to these high-paid men does not exist now?

Mr. WALTON: No.

Hon. Mr. HANSON: But it used to obtain years ago?

Mr. WALTON: Yes.

Hon. Mr. HANSON: Let me give you an illustration. There is an express which runs from St. Stephen to Edmundston, New Brunswick. True it is a branch line. I do not think it runs as far as 175 miles. My old friend Charlie Henderson ran that as conductor for at least twenty-five years.

Hon. Mr. MICHAUD: Possibly forty.

Hon. Mr. HANSON: Mr. Michaud knows him very well. I do not think he was conductor for forty years—I will say twenty-five years—he did that six days a week, and on the schedule rates of pay he had a fine income, and I told him to hug that job as long as he could. When he retired an additional crew was put in there. Two crews used to do it with two conductors, and I am not sure but that two cab crews did that. When he retired and the older men went off and the other men came in that road was probably handled by three crews instead of two, and one reason for that was to give more employment in the days of the depression, we will say, or when work was slack. So all these men with the high incomes have been cut down. I will give you another illustration: the C.P.R. ran a road from Fredericton to Woodstock called the Gibson branch. My old friend Charlie McGibbon was the conductor until the day he died. He went on duty at half-past six in the morning and took his train out at 7 o'clock and got to Woodstock and laid over four or five hours and came back to Fredericton at 8 o'clock in the evening and had a half-hour to put his train away. He made about \$15 a day, and we used to check it in the baggage car and try to find out what he was going to make that year and I would tell him he should hug that job. He had a run of six days a week. Now two crews are doing it. There is

a fiction in the minds of the public that these men are making an immense amount of money. That may have been true at one time, but it is not true now.

Mr. WALTON: The percentage has been steadily decreasing; but it has been held to consistently in spite of this wartime traffic.

Mr. JACKMAN: Do the men get a day off a week as well as the Sabbath?

Mr. WALTON: In the running trades there is no recognition of Sunday as such because of the peculiar way in which the traffic runs, except on way freights and branch lines where there is no operation on Sunday; but on the main line we have to take the traffic as it comes.

Mr. JACKMAN: You must give them a day's holiday.

Mr. WALTON: They get exactly the same rate for running Sundays as for running any other day.

Mr. JACKMAN: I am asking if they do not have a regular Saturday or Sunday holiday and whether they run five or six days a week?

Mr. WALTON: They may work any number of days a week.

Mr. JACKMAN: I am talking of time hours.

Mr. WALTON: There is no recognition of Sunday or any other day or the equivalent in these running trades. That is another of the disadvantages in that line of work. You cannot say that you will be in on a definite day or at home on a definite day unless you choose to lay off on your own account and forfeit the pay. You cannot say to any man that he will be off on Sunday.

Mr. JACKMAN: Out of seven days—seven consecutive days—does the man work five days or six days or seven days?

Mr. WALTON: I cannot answer that question, because on one day if it is freight service, for example, he may go on duty at four in the morning.

Mr. JACKMAN: What do you aim to do? Do you aim to give a man a holiday a week or not?

Mr. WALTON: No, we do not do so. The purpose of this custom with regard to a monthly mileage is that he will have a certain number of hours out of the month free of duty but he does not get it because it happens to be a Tuesday or a Saturday; he gets it in between trips.

Mr. JACKMAN: I understand that.

Hon. Mr. HANSON: These men have no holidays with pay?

Mr. WALTON: None whatever.

Hon. Mr. HANSON: You may recall—perhaps you do not—that an attempt was made to have a seventh day of rest whether it was Sunday or not but that didn't go through.

Mr. WALTON: Yes, it just was not possible particularly on lines connecting with United States traffic, and now in time of war, of course, it would be unthinkable.

Mr. SHAW: While we are at this point, at some time or other I wish to discuss the aspect of superannuation. Would this be an appropriate time to do so? We are dealing with salaries, and this is a very important matter, and if this is the appropriate time I should like to discuss this matter.

The CHAIRMAN: We might as well go on with it now.

Mr. SHAW: I have before me a letter relating to a Mr. W. E. Evans of Edmonton who was employed on the Canadian National Railway and retired because of ill health. Now, I would not bring this matter forward if it were an individual case, but there are certain charges and allegations which I think should be considered by this committee. I shall read one or two paragraphs from this letter which was not written by Mr. Evans but written by a responsible individual on his behalf:—

When the basis of the pension was changed from a non-contributory to a contributory scheme, Evans had completed about 18 years of continuous service. During all this period there was only one month in which he was unemployed, and he neither applied for nor received any vacation.

In 1937 he received an official notification to the effect that the period of continuous service for purposes of his non-contributory pension would be 18 years 3 months, and that the amount of his pension would be \$399, provided he qualified by having the necessary length of service and had attained the pension age.

When he applied for his pension recently, he received a revised statement showing his period of continuous service cut down from 18 years 3 months to sixteen years odd. On protesting this he was able to show from his own records that they had made a mistake and the figure was revised again to 17 years 1 month.

He happens to be one man in the whole service who kept detailed records, and he protested this revision, showing an error of about four months. However, this will make no difference to the reduced amount of pension he gets because of the revision in his service. It appears that the revision was made by deducting every day he was not working, even though he was at home and available for duty.

Considering the long and continuous service which he rendered, that this was recognized when he was informed in 1937 that his service for pension purposes would be reckoned as 18 years 3 months, it strikes me as the worst kind of meanness to revise his pension just when he is to receive it. Even if they had made a technical error, surely a man with such a service record and who had received no leave of absence for a vacation or illness during all that time could have been given some concession.

Evans tells me that this kind of thing is carried out on a wholesale scale among the older men qualifying for pensions.

He goes on to state that Evans has masses of evidence which he can produce in connection with this matter. I think this is a very important matter, and that we should get some information from the officials of the C.N.R.

Mr. VAUGHAN: We will get some information on the Evans case. I do not recall it, but our pension rules are very cut and dried affairs and every man is given his pension strictly in accordance with the pension rule. We have 100,000 employees today and we must treat them all alike. Men at different times are trying to get additional service for periods when they have been out of service for one thing and another. We have a committee who deal with matters of that kind and everything is gone into very carefully on its merits, and I am sure that no injustice is done to any man.

Hon. Mr. HANSON: On your interpretation of the rules?

Mr. VAUGHAN: Exactly. On our pension board we have representatives of labour and no representations have been made to us by labour that we are not treating our men fairly.

Hon. Mr. HANSON: I received a communication this week from a trackman at Brown's Flats in New Brunswick—that is on the St. John-Quebec line—who was there for eighteen years, about, and he has reached what I assume is the retiring age and he has been notified that he is not eligible for any pension. I do not know anything about it.

Mr. VAUGHAN: The fault lies with the man because that service pension was decided upon at the end of 1934 and every man should have checked up with our pension department in the meantime to see that his service pension was properly established.

Hon. Mr. HANSON: It was up to him, was it?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: Oh, well, now—was it?

Mr. VAUGHAN: Not altogether, but he always has the privilege of taking the matter up with our pension department and finding out what his record is for pension purposes, and sometimes they do not do it.

Hon. Mr. HANSON: I am afraid that was the case here. However, I cannot go into the details of this case because I have not got the reply; but this man certainly looked forward to the time when he thought he was going to get something, and he is out. This may be an extreme case. The pension is a valuable one from the standpoint of the employee. I hope it is interpreted liberally.

Mr. VAUGHAN: I think the men in our pension board interpret the pension rules liberally. In fact, if there is a question of doubt they would rule in favour of the man.

Mr. SHAW: Mr. Chairman, may I ask Mr. Vaughan if he would check this case and inform me as to the discoveries. From what I have been told verbally apparently this man has made every effort and he feels he has been discriminated against. It is also stated on his behalf that this practice is general among the older men qualifying for pensions. I do not think it should be dropped.

Mr. VAUGHAN: We have had very few complaints from our men, but I will get you full particulars of that case and give them to you.

Hon. Mr. HANSON: Mr. Vaughan, can you or somebody briefly state the pension provisions? There is more than one scheme, is there not?

Mr. VAUGHAN: We have three pension schemes. There is the old provident fund on the Canadian government lines. No new members were taken into that after the Canadian National pension scheme was started.

Hon. Mr. HANSON: Was that contributory or not?

Mr. VAUGHAN: Contributory, yes; of course, the old members who are in that are still carrying on and still contributing. Then there is the Grand Trunk superannuation scheme. They have not taken any new members in for over 35 years but the old members are still contributing and carrying on. Under those two pension schemes the ages of retirement and pension allowable are different. So far as the Canadian National scheme is concerned, which everybody is now on and has been on for some years, it is based, of course, on a man's service. The service pension was set up for every man at the end of 1934 based on his years of service and his average pay over a period of ten years.

Mr. EMMERSON: Over the last ten years?

Mr. VAUGHAN: The highest ten years in service.

Mr. EMMERSON: The last ten years?

Mr. VAUGHAN: The highest ten years in service, the best ten years in service; his service pension was based on that. Then he builds that pension up in accordance with what he contributes and the railway matches dollar for dollar up to 5 per cent. That is, if he contributes three we contribute three; if he contributes five we contribute five; if he contributes ten we contribute five. We will not go above 5 per cent.

Hon. Mr. HANSON: His contribution is optional on himself?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: Ultimately that will be the only pension system as these older men drop out?

Mr. VAUGHAN: Exactly.

Hon. Mr. HANSON: You will have a uniform system then?

Mr. VAUGHAN: Yes.

Mr. DUBUC: What is the retiring age, 65 or 70?

Mr. VAUGHAN: Sixty-five is the compulsory retiring age.

Mr. ROSS: When a man enters the service how is he made conversant with the different pension regulations?

Mr. VAUGHAN: A copy of the pension rules are available for him.

Mr. ROSS: There is no effort to disseminate information continuously through the system?

Mr. VAUGHAN: That is going on all the time. The employees are kept fully informed of the pension rules.

Mr. ROSS: But not of their own status?

Mr. VAUGHAN: They have their own representatives on the pension committee. Three members of the labour unions are on the pension committee.

Mr. ROSS: I know there are always places where they can apply for information, but if it is anything like the army they just let the thing fritter away, and the first thing you know they are in trouble. They do not keep in close touch with the regulations. That is why I asked that question.

Mr. VAUGHAN: We aim to keep the employees fully informed. We have our Canadian National magazine and other means of doing so.

Mr. ROSS: I was just going to ask that.

Mr. VAUGHAN: It publishes articles from time to time on pensions, and I think our employees are kept fully informed.

Hon. Mr. HANSON: In addition to that do you not post notices at certain terminals of any changes in these things?

Mr. VAUGHAN: If there were any changes in the pension rules, which are few and far between, notices would be posted, yes.

Mr. JACKMAN: What is your experience as to the percentage of contribution by the employees? Do they take advantage of the plan up to the full 5 per cent for the most part?

Mr. VAUGHAN: They contribute all kinds of amounts, Mr. Jackman. Some do not contribute at all, and therefore they can only hope to get a comparatively small pension when they retire. Many contribute 1 or 2 per cent and we have a few contributing 10 per cent. I could not tell you offhand the proportions that contribute various amounts.

Mr. JACKMAN: I want to find out what human nature does in a case like this. That is my reason for asking the question. A good many do not take advantage of the generous or salutary provision of the railway in matching dollar for dollar up to the full extent. It is something they should do for their own interest.

The CHAIRMAN: Can we proceed on page 13?

Mr. JACKMAN: I think Mr. Vaughan has an answer there.

Mr. VAUGHAN: I probably could get for you, Mr. Jackman, the number of men who contribute 1, 2, 3, 4 or 5 per cent. I have not got it with me.

Mr. JACKMAN: That is most interesting. They should be encouraged to contribute up to the maximum of 5 per cent. Members of parliament wish they had the opportunity of doing that.

Mr. VAUGHAN: You would be surprised at the number of men who are drawing out their contributions from time to time. They get hard up or sickness may strike them. Some man may have \$800 or \$900 or \$1,000 to his credit and he will withdraw it.

Mr. JACKMAN: Then you have to withdraw your contribution, too?

Mr. VAUGHAN: It is cancelled, but we encourage our men to contribute to the pension plan because we know it is in their interest.

Hon. Mr. HANSON: You carry your own insurance?

Mr. VAUGHAN: Yes, we carry our own insurance on all railway property with the exception of a very few risks that are covered outside.

Hon. Mr. HANSON: And your fund is now up to \$12,000,000?

Mr. VAUGHAN: Yes, sir.

Hon. Mr. HANSON: Is this invested in your own bonds?

Mr. VAUGHAN: I think we gave that yesterday. Some of it is invested in our own bonds and some guaranteed bonds and a little of it was invested some years ago in municipal and other bonds.

Mr. EMMERSON: You were speaking of withdrawals from the pension fund. What penalty is there with regard to that in the case of men who, on reduction of staff, are laid off? Does that withdrawal affect their pension and their seniority rights when it comes to taking on men again?

Mr. VAUGHAN: No, their pension does not in any way affect their seniority rights one way or another.

Mr. WALTON: Is it seniority rights you are asking about?

Mr. EMMERSON: Yes.

Mr. WALTON: So far as seniority is concerned a man who has worked for us, other than the casual worker, once he is established with us if there is a reduction in the force he is given preference over newcomers so long as he keeps in touch with us, but if he is required and cannot be immediately located then he is permanently dropped. That is the seniority if that is what you are asking.

Mr. EMMERSON: There were cases under the provident fund where men were laid off from the shops in 1930 and 1931 and they withdrew their provident fund money and lost their seniority rights, as I understood it, and position on the seniority list.

Mr. WALTON: I do not see how pension and seniority can conflict. One is a service proposition and the other is governed by the regulations on pensions.

Mr. COOPER: There was a condition under the Intercolonial fund and it came into operation in the period of depression. Some of the men did get their moneys from the fund, left the service of the railway, and by so doing lost their seniority rights.

Mr. EMMERSON: Some of the men had to leave the service because there was no work for them.

Mr. COOPER: They do not leave the service of the company because there is no work. They just lay off.

Hon. Mr. MICHAUD: In order to get the amount of money they paid into the fund it was a condition of the old Intercolonial contract that they had to abandon the service of the railway in order to be entitled to withdraw. That is, in order to get their money they had to comply with the provision.

Mr. EMMERSON: Exactly. That is the penalty. To get the premium they had to withdraw. They had to sign away their rights.

Hon. Mr. MICHAUD: Yes.

Mr. EMMERSON: During the depression when they had to have money, they withdrew their money. They had to sign away their rights. Is there any such condition in the present pension fund?

Mr. COOPER: In the Canadian National pension fund the only condition under which an employee can withdraw his funds is a state of urgent financial necessity; and that, has been construed as sickness by the Pension Board. For instance, take the case of a man who lays off; that would not be considered a reason why he should withdraw his contribution from the fund. He must be faced with some hospitalization costs which he cannot possibly finance or something of that nature; because, to him, it is a very serious loss. He not only loses his pension benefit which he has built up, but he loses the company's matching contribution. As a member of the pension fund board, I can say that we scrutinize every application for a refund of contributions, and we refuse to permit a refund of contribution unless we are perfectly satisfied that the employee must have his money to meet an emergent personal financial situation.

Hon. Mr. HANSON: I take it that he is out.

Mr. COOPER: He cannot repay it.

Mr. VAUGHAN: He can resume contributions again.

Mr. COOPER: Yes, he can resume his contributions.

Mr. EMMERSON: It does not interfere with his right to come back on the railway?

Mr. VAUGHAN: No, not at all.

Mr. EMMERSON: If he has withdrawn it because of pressing conditions and at the same time he has been laid off on account of reduction in staff?

Mr. VAUGHAN: It does not interfere with that at all. On the Canadian National general plan, we do discourage our men as much as we possibly can against withdrawing their contributions from the fund.

Hon. Mr. HANSON: Is that true of the old provident fund?

Mr. VAUGHAN: The old provident fund is different and the Grand Trunk fund is different. They had certain benefits in those pension schemes that our general fund has not. For instance, with the Intercolonial provident fund I think they got one-sixtieth for each year's service. If a man retired after forty years service, he would get forty-sixtieths. I think in the Grand Trunk superannuation fund he gets $1\frac{1}{2}$ per cent for each year of service. But in the Canadian National fund the terms are not nearly so liberal. The greatest a man can get is 40 per cent of his highest average ten years salary. He cannot get more than that under any conditions when he retires.

Mr. JACKMAN: You mentioned a service pension as if it were something by which a man had a right to pension if he withdraws? What is that service pension?

Mr. COOPER: The service pension is something entirely at the expense of the company.

Mr. VAUGHAN: The service pension was set up for every employee at the end of 1934. He did not have to contribute to that. The service pension was set up by the railway, but he builds that up in accordance with subsequent contributions.

Mr. JACKMAN: That was just to take care of the service prior to 1934?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: It does not apply to service since then?

Mr. VAUGHAN: That is right. Shall we go on with the balance sheet?

The CHAIRMAN: Page 13?

Mr. VAUGHAN: Yes.

LIABILITIES

Stocks:

Capital stocks of subsidiary companies held by public.....	\$ 4,564,600.00
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Long term debt:

Funded debt unmatured:

Held by public.....	\$795,773,932.14	
Held in special funds.....	13,422,142.05	809,216,074.19

Hon. Mr. HANSON: Has there been a substantial reduction in the funded debt held by the public?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: We might have some details of that. Where is it?

Mr. VAUGHAN: We will give you those figures.

Hon. Mr. HANSON: All right.

Mr. JACKMAN: Before you go on, may I mention the item with which we closed yesterday, namely capital stocks of subsidiary companies held by the public, \$4,564,600 and the contra item on the other side, namely discount on capital stock, etc. related to it. Last year, as you probably recall, it was suggested that some of these subsidiary companies in which you had part ownership should be put through the bankruptcy courts, if you like, so that you would acquire full ownership and thereby derive the full benefit of any of the improvements you were making on them. I do not know whether we had an expression of opinion from you as to what your view was on that, either as to the principle or as to the timeliness of it. Would you care to express yourself now?

Mr. VAUGHAN: Our legal department have it in hand now. There are many complications in connection with it, but I had it up with them just a few days ago. They are giving intensive study to it with a view to determining what is the best thing to be done having regard to all the circumstances.

Mr. JACKMAN: Are there any, I will not call them critical angles to it, or politic angles? I think you understand what I mean. Is it better for the company, inasmuch as it is not going to mean very much except to straighten up the accounts, give you a better looking balance sheet, and complete ownership in this thing in case something does turn up in the future which might prove embarrassing. Are there any reasons why it should not be done?

Mr. VAUGHAN: Not from that standpoint. The principal reason seems to be legal complications, but we are trying to get at the bottom of this.

Hon. Mr. HANSON: I suppose each case is a problem in itself?

Mr. VAUGHAN: It is. There are a great many of these shareholders who cannot be found. We have been trying to get in touch with them. They have apparently passed out of the picture and no one knows where they are.

Hon. Mr. HANSON: It is easy enough to deal with them.

The CHAIRMAN: Proceed.

Mr. VAUGHAN: Mr. Cooper will answer Mr. Hanson's question.

Mr. COOPER: In 1942 there was a reduction in the amount of the funded debt outstanding to the amount of \$325,178,000.

Hon. Mr. HANSON: In 1942?

Mr. COOPER: Yes.

Hon. Mr. HANSON: \$325,000,000?

Mr. COOPER: Yes.

Hon. Mr. HANSON: That is repatriation from Britain?

Mr. COOPER: \$289,000,000 of that was by process of repatriation, yes.

Hon. Mr. HANSON: What did they consist of—Grand Trunk securities?

Mr. COOPER: You want the different issues?

Hon. Mr. HANSON: If you could file a table, it would meet the situation.

Mr. COOPER: Yes. We can file a table showing that.

Hon. Mr. HANSON: It is not in the accounts here?

Mr. COOPER: No, sir.

Hon. Mr. HANSON: With respect to the balance of \$26,000,000, may I ask what they were? Were they ordinary retirements?

Mr. COOPER: Yes. On page 9 of the report we show that \$32,024,000 of securities matured and were retired during 1942.

Hon. Mr. HANSON: That is matured?

Mr. COOPER: And then there was \$9,490,000 of principal under equipment trust and sinking fund issues which were brought in.

Hon. Mr. HANSON: Those are other maturities?

Mr. COOPER: Yes, sir.

Hon. Mr. HANSON: Then you paid the government \$14,000,000. You might file that table. How did you finance this \$299,000,000?

Mr. COOPER: We borrowed the amount from the dominion.

Hon. Mr. HANSON: From the dominion government?

Mr. COOPER: Yes.

Hon. Mr. HANSON: Are they outstanding? According to this balance sheet, they are not outstanding as a liability.

Mr. COOPER: Oh, yes, they are.

Hon. Mr. HANSON: You have transferred them from a liability to the public to what?

Mr. COOPER: To the dominion.

Hon. Mr. HANSON: To the dominion of Canada?

Mr. COOPER: Yes.

Hon. Mr. HANSON: Do they come into the \$519,000,000?

Mr. COOPER: That is right. You will see the details of that on page 22.

Hon. Mr. HANSON: If they are there, all right.

Mr. COOPER: Yes. The details of the \$502,000,000 shown on page 22 show the different financing acts; and you will notice in that amount is \$277,000,000 for repatriation of securities; also \$106,000,000 which was also repatriation of the Grand Trunk debenture stock.

Hon. Mr. HANSON: These are held by the government against the railways?

Mr. COOPER: Yes.

Hon. Mr. HANSON: Do they obtain any income from them?

Mr. COOPER: Oh yes, sir.

Hon. Mr. HANSON: So it is really a transfer to the government of Canada and is done as a matter of government policy?

Mr. COOPER: Yes, sir.

Hon. Mr. HANSON: No saving to you?

Mr. COOPER: Oh yes, definitely; there was some saving.

Hon. Mr. HANSON: You got a low rate of interest?

Mr. COOPER: Yes, there was a saving in interest on the securities outstanding; the average interest rate was something like 3.92 and dominion advanced the money at 3.5.

Hon. Mr. HANSON: Do the government own these securities?

Mr. COOPER: That is for the government to say, I suppose.

Hon. Mr. HANSON: That answers my question. I have always wondered on this question of working capital; you have to borrow the working capital now under present conditions, or do they not allow you to provide your working capital out of earnings; why is that?

Mr. COOPER: Under what might be called prewar conditions, normal conditions, the railway had adequate working capital, but with the expansion of business due to war we have had to increase our working capital and we had to borrow some from the government; in addition we have used some of the money created by reserves, which have been discussed in this committee.

Hon. Mr. HANSON: Now, then, as you say, you have to have working capital due to the increased demands being made on the road and where you have not sufficient in your reserve you have to borrow from the government?

Mr. COOPER: Yes.

Hon. Mr. HANSON: Where other people would borrow from banks?

Mr. COOPER: That is true.

Mr. JACKMAN: That amount of \$16,000,000, Canadian government railways working capital, is that filed from the government?

Mr. COOPER: No. That is an item of a special nature. When the Canadian government railways were operated directly by the Department of Transport they required a certain amount of working capital and it was advanced out of public funds for the Canadian government railways—

Mr. JACKMAN: Voted each year by parliament.

Mr. COOPER: It had been voted. When the Canadian government railways were transferred to the Canadian National for management the working capital came to use with the road and we took it up in our accounts on one side as a working capital asset and on the other side as a liability to the Dominion, and the liability has remained more or less stationary since 1923.

Mr. JACKMAN: You have continued that arrangement?

Mr. COOPER: Quite.

Mr. JACKMAN: Was it \$16,000,000 from the government?

Hon. Mr. HANSON: You pay interest on that?

Mr. COOPER: No, sir. In the old days of the Canadian government operation, that railway was not charged by the government with interest on public funds used for their construction and operation. Since 1923 the Canadian National Railways have had to finance the additions and betterments and find equipment for it—that is, for the Canadian government roads—the cost of doing that has become a charge against Canadian National Railways. Under Canadian government operations that cost would have been absorbed in the public accounts.

The CHAIRMAN: Order, gentlemen, please; the reporters state that they find it difficult to hear the proceedings; would you speak a little louder, please?

Hon. Mr. HANSON: Oh, I am sorry. Have you any other similar situations in your accounts to this one, or is that the only one?

Mr. COOPER: That is the only one, and it has been in our balance sheet for the last twenty years.

Mr. JACKMAN: This identical amount?

Mr. COOPER: Yes, the identical figure; I do not think it has changed for twenty years. They turned over \$16,000,000 of stores and accounts receivable and we absorbed that into working capital. We are not attempting to repay it to the dominion government. We do not think we should.

Mr. JACKMAN: Surely you must make some adjustment from an accounting standpoint; you could not carry that forward year after year.

Mr. COOPER: I do not think so, Mr. Jackman.

Hon. Mr. HANSON: Now, Mr. Cooper, with respect to the securities repatriated; were all the securities held in Britain against the company repatriated; or, are there still some outstanding securities over there?

Mr. COOPER: The vesting order issued by the British treasury, of course, could only lie against the securities owned by British residents or residents of the United Kingdom.

Hon. Mr. HANSON: It only went that far; might it not operate against securities held by foreigners, people in other European countries—it could not go that far?

Mr. COOPER: The vesting order was against securities owned by residents of the United Kingdom.

Hon. Mr. HANSON: It did not include securities owned by foreigners, residents there?

Mr. COOPER: Then, if any of these securities affected by the vesting order are held by Canadians we have undertaken to buy them in at the vesting price.

Hon. Mr. HANSON: You mean from Canadians residing in Canada?

Mr. COOPER: Yes, sir.

Hon. Mr. HANSON: I am not speaking of that; I speak of securities of the system physically held in Britain by United Kingdom Nationals, or of any persons holding them say from other countries of Europe—you say it did not apply to them?

Mr. COOPER: No, the vesting orders certainly do not extend beyond residents of the United Kingdom.

Hon. Mr. HANSON: I see, it was limited to that.

Mr. COOPER: Yes, sir.

Hon. Mr. HANSON: So there may be, there are undoubtedly then some still outstanding which have not been repatriated, and they will be held mostly on the continent?

Mr. COOPER: You might have securities of a particular issue held in north Ireland, they would be subject to the order; but if held in southern Ireland they would not be subject to it.

Hon. Mr. HANSON: So there may still be a further substantial quantity yet of these shares outstanding?

Mr. COOPER: There may be some of the securities held by other than British residents, just how much it is hard to say.

Hon. Mr. HANSON: You said you were making an offer to Canadian owners on the basis of the same price as was indicated in the vesting order; what has been the effect of that offer?

Mr. COOPER: I cannot put my finger on the amount at the moment. There has been a certain amount turned in under the offer made by the railway. I may add that it was a rather small amount.

Hon. Mr. HANSON: How much remains to be repatriated from overseas, can you give us that?

Mr. COOPER: It is very difficult to say that; there may be quite an amount of outside securities that have not yet been turned in.

Hon. Mr. HANSON: Even those held by the British government?

Mr. COOPER: I was thinking of residents of the United Kingdom who, because of war conditions, may not have been able to find their securities, that they may

be tied up in estates and for one reason or another have not yet been turned in; but they are legally I think the property of the British government and the interest on them would be discontinued—sooner or later the transfer of the securities will be made.

Mr. JACKMAN: Is there any reason to think that that might be a substantial amount; after all, you have stopped the interest on them.

Mr. COOPER: I don't think it is any large amount.

Mr. VAUGHAN: In addition to what was included in the vesting order we called for redemption the remainder of an issue of \$60,000,000 Grand Trunk 4 per cent guaranteed stock not subject to the vesting order. The general policy has been to get in as many sterling securities as it is possible to get in; mainly by the vesting order, and otherwise by offers made for that purpose by the company.

Hon. Mr. HANSON: And, by legal retirement?

Mr. COOPER: Yes.

Hon. Mr. HANSON: Are any of those held in France?

Mr. COOPER: I have no doubt there will be some, and some in Germany.

Hon. Mr. HANSON: You are not able to tell us what proportion or how much, in dollars and cents, of these securities really should be repatriated under the scheme and which are still outstanding or where?

Mr. COOPER: No, I am afraid I cannot answer that; I think it would be a small proportion.

Mr. JACKMAN: Have you any way of telling when the coupons are presented for payment in Canada, United States or Great Britain where these securities are located that you have not been able to retire? Do you get them from other countries? Can you tell from your banking connections where a coupon is presented for payment?

Mr. COOPER: Yes. Most of these are registered securities. The register shows the domicile of the registered holders.

Mr. JACKMAN: Most of these securities are registered?

Mr. COOPER: Yes.

Mr. VAUGHAN: We have a registration office in London, England, as well as in Canada.

Mr. JACKMAN: Debenture stock?

Mr. COOPER: Debenture stock would all be registered.

Mr. JACKMAN: Most of these securities we are talking about are debenture stock?

Mr. COOPER: A large proportion, yes.

Mr. JACKMAN: Do you know exactly?

Mr. COOPER: In the case of registered stock, yes, we know where they are.

Hon. Mr. HANSON: I think we should have this because due to the international situation, we will say, of lend-lease, there may be complications later, somebody else may have a claim against the securities.

Mr. COOPER: Can we have exactly what it is you want?

Hon. Mr. HANSON: If it is not too much trouble I should like to know how much in terms of dollars and cents—that is, gross, and if you can give us the details so much the better—of your securities are still held in Britain or elsewhere on the other side.

Mr. COOPER: When you say "other side" you mean in Europe?

Hon. Mr. HANSON: In Britain and Europe, if you can give us that information.

Mr. COOPER: Let us say the United States?

Hon. Mr. HANSON: No, I am not asking that at the moment because there is no reason for that; whatever there is outside of the United States—

Mr. COOPER: Yes.

Hon. Mr. HANSON: —and Canada.

Mr. COOPER: We shall try and get that for you.

Hon. Mr. HANSON: It is a reasonably small quantity, you say?

Mr. COOPER: Yes.

Hon. Mr. HANSON: The registered stock is easy but the bearer bonds may be more difficult.

Mr. VAUGHAN: We will get all the information we can on it, Mr. Hanson.

Current Liabilities:

Traffic and Car- Service	
Balances — Credit	\$ 8,820,309.43
Audited Accounts and Wages	
Payable	13,083,237.44
Miscellaneous Accounts Payable.....	4,338,900.95
Interest Matured Unpaid.....	6,656,933.50

Hon. Mr. HANSON: That is a very sizable sum for interest matured unpaid. What does it mean?

Mr. COOPER: Interest accrued to December 31, 1942, which is not yet due for payment. It may be due, for instance, on the 1st of March. We would have four months' accruals in that amount. We charge four months' interest to our income statement and set up liability under this.

Hon. Mr. HANSON: To take care of the situation?

Mr. COOPER: Yes. The railway accounts are on an accrual basis, not on a cash basis.

Mr. SHAW: May I ask to whom these interest charges are payable?

Mr. COOPER: To the holders of the securities, and the securities themselves are all listed on pages 21 and 22 of the report.

Mr. SHAW: What I had in mind in particular was the bank interest. What proportion of that is bank interest?

Mr. COOPER: Not any.

Hon. Mr. HANSON: The government is the railway's banker; they do not borrow from the bank.

Mr. COOPER: We are not borrowing from the bank at all today, no.

Mr. VAUGHAN:

Unmatured Interest Accrued.....	\$ 7,018,836.34
Unmatured Rents Accrued.....	403,347.04
Accrued Tax Liability.....	2,516,298.54
Other Current Liabilities.....	3,470,454.31
	<hr/>
	\$46,308,317.55

Hon. Mr. HANSON: You have tax accruals in certain municipalities and in the provinces. What is your total tax bill?

Mr. VAUGHAN: Six million odd.

Hon. Mr. HANSON: What does your competitor pay, do you know that, including income tax, if you know?

Mr. COOPER: Our taxes in 1942 were \$6,930,000.

Hon. Mr. HANSON: That goes principally to provinces or municipalities or to where?

Mr. COOPER: It would be to municipalities, also unemployment insurance tax.

Hon. Mr. HANSON: What proportion would be unemployment insurance? What I am trying to get at is this, you pay actually no direct taxation; unemployment insurance is an insurance premium.

Mr. COOPER: Unemployment insurance 1942, paid the dominion government by the railway, \$784,000, by the express department \$33,000, by the telegraph department \$38,000.

Hon. Mr. HANSON: Then you paid Workmen's Compensation too; is that included?

Mr. COOPER: No, sir; that would not be a tax,, that would be an operating expense.

Hon. Mr. HANSON: That is a necessity?

Mr. COOPER: Yes.

Hon. Mr. HANSON: Then the balance would be, whatever it is, paid to the provinces and municipalities.

Mr. COOPER: We have a lot of United States taxes.

Hon. Mr. HANSON: I am thinking of Canada. What I am trying to arrive at is this. You pay the provinces of Canada certain sums by way of lump sum taxation.

Mr. COOPER: No, sir; not in 1942. The provinces vacated the corporation tax field.

Hon. Mr. HANSON: That was done away with?

Mr. COOPER: Yes.

Hon. Mr. HANSON: That was done by arrangement with the provinces?

Mr. COOPER: Yes.

Hon. Mr. HANSON: Did you gain that?

Mr. COOPER: Yes we gained by that.

Hon. Mr. HANSON: Other people did not.

Mr. VAUGHAN: Our competitors gained it just as much as we did.

Hon. Mr. HANSON: I was not aware of that; if I knew, I have forgotten. I never could understand why railways should pay taxes to the province of New Brunswick. Personally they never gave you any services for the amount you paid them, and they did not turn any of the taxation over to the municipalities. They got that taxation for a great many years under the law of the province. Now I think they do pay some money to the municipalities. In the past the province of New Brunswick was simply grabbing that up for their revenue and they did not pass it along to the municipalities. It is different now.

Mr. JACKMAN: Just by way of offering a correction to your statement, Mr. Vaughan, that you competitors shared also in the release from provincial taxation, may I say, of course all companies shared in the release from provincial taxation; however, they get it through federal taxation because it was made so onerous and so heavy that the provinces had to get out of the field. As far as the insurance companies were concerned they were given release and so were the banks, but in order that they should not be any better off than they were before the dominion government put a very special assessment on banks and insurance companies so that they would pay at least as much as they were paying before. I should think your company was probably the only corporation in Canada that got a break on this.

Mr. VAUGHAN: I would say, this, Mr. Jackman, that there are advantages and disadvantages to us in being under government control. I mentioned the other day some of the disadvantages to the extent of many millions of dollars, this is probably where we get some advantage to the extent of a comparatively small amount of money.

Mr. JACKMAN: May I ask a general question about your current banking? Suppose the traffic increases very greatly in the year, as it has during the past year, and you find yourself temporarily short of working capital, you cannot go to a commercial bank, I suppose, to get the money, you have to see it beforehand, budget for it, and get it from the government?

Mr. COOPER: We have borrowed from the government with regard to working capital.

Hon. Mr. HANSON: Temporary working capital during the year. If you find that you will need another \$5,000,000 you go to the government and ask for a loan?

Mr. COOPER: I think we got about two and a half million dollars in 1942 from the government for working capital. I might say too that the government, on the other hand, is owing us a very substantial sum for traffic.

Mr. VAUGHAN: On which we get no interest.

Hon. Mr. HANSON: Do you pay the interest on these current advances?

Mr. COOPER: We certainly do.

Mr. VAUGHAN: Three and one-half per cent. That is the general rate we pay the Dominion of Canada.

Mr. COOPER: At the end of 1942 the dominion government were owing us for traffic and other accounts of that nature \$15,815,000.

Hon. Mr. HANSON: Do you find they are much slower pay than the ordinary commercial customers?

Mr. COOPER: I would say they are slower, and one reason for that is that the size of the account is tremendous. If you take only the accounting—take the number of warrants which are turned in by the armed forces to our agents who remit them to the central revenue office where they are collected and put in the for of bills against the government—there is a considerable amount of work involved and that involves delay.

Hon. Mr. HANSON: Do you run an account with the banks—a checking account? Do you borrow occasionally from the banks, or did you do so in days gone by?

Mr. VAUGHAN: We have in days gone by borrowed from the banks with the approval of the government.

Mr. COOPER: That is not recent.

Hon. Mr. HANSON: Not in your position today; you have a credit balance.

Mr. VAUGHAN: We have a credit balance with most of the banks.

Hon. Mr. HANSON: What rate of interest did the banks charge you in the old days?

Mr. VAUGHAN: I could not say that offhand, we always made the best deal we could with the banks and I think we got a reasonably low rate at that time.

Hon. Mr. HANSON: Of course, they cashed all your cheques free of charge and they rendered a lot of service, and they are entitled to some compensation.

Mr. COOPER: Our statement shows at the end of the year in the current assets, \$10,242,000 of cash at the banks.

Mr. JACKMAN: You are allowed interest on that, I presume?

Mr. COOPER: There is a small interest. You know how small the interest rate is today.

Mr. JACKMAN: I was wondering how the banks can afford to look after your business when you never borrow from them, and you do not have a large deposit except working capital?

Mr. COOPER: They get the benefit of whatever balance we have. They have the use of that money. It is worth something to them.

Mr. VAUGHAN: They are all after our banking accounts.

Mr. JACKMAN: I suppose, of course, that it brings other business. That must be the answer.

Hon. Mr. HANSON: It takes it away from some of the banks.

Mr. VAUGHAN: Dominion of Canada—Proprietor's Equity.

DOMINION OF CANADA—PROPRIETOR'S EQUITY

	Balance at 31st Dec., 1941	Change during year	Balance at 31st Dec., 1942
Canadian National Railway Company, Capital Stock	\$ 18,000,000 00		\$ 18,000,000 00
The Canadian National Railways Securities Trust, Capital Stock	267,283,019 32	\$31,559,862 85	298,842,882 17
Capital Expenditures on Canadian Government Railways	377,893,343 58	8,211 63	377,885,131 95
	<u>\$663,176,362 90</u>	<u>\$31,551,651 22</u>	<u>\$694,728,014 12</u>

Hon. Mr. HANSON: Is that \$8,000,000 the old figure?

Mr. COOPER: That is carried through from the time of the capital revision.

Hon. Mr. HANSON: How much was cut out then?

Mr. COOPER: Well, the Canadian Northern capital stock was \$100,000,000 and there was \$82,000,000 of it cut out. \$18,000,000 is the amount which the dominion had paid to acquire the stock of the Canadian Northern Railway.

Hon. Mr. HANSON: That was actual cost.

Mr. COOPER: Yes, sir.

Hon. Mr. HANSON: Now, with regard to the five million shares of Canadian National Railway security trust will we deal with that later on?

Mr. COOPER: Yes, sir.

Hon. Mr. HANSON: This capital expenditure of \$377,000,000 odd, is that the figure put in for the old Canadian government railways that were taken over?

Mr. VAUGHAN: That is right.

Hon. Mr. HANSON: Plus the material and so forth? That is the physical property?

Mr. VAUGHAN: Yes, sir.

Hon. Mr. HANSON: That has never been depreciated, I suppose?

Mr. COOPER: No.

Hon. Mr. HANSON: It still stands as the accumulated value?

Mr. COOPER: There have been some adjustments. Some of the government property has been transferred from the Department of Transport to the Department of Public Works, and we make an adjustment of those.

Hon. Mr. HANSON: It remains constant.

Mr. COOPER: Substantially so.

Hon. Mr. HANSON: That includes the transcontinental.

Mr. COOPER: Yes. It is all the government railways except the Hudson Bay road.

Hon. Mr. HANSON: That is in a class by itself. Are you operating that?

Mr. COOPER: We are operating it as an agent for the government.

Hon. Mr. HANSON: Only. That is what you have always done.

Mr. COOPER: Yes, since about 1926.

Mr. JACKMAN: Who gets the balance sheet of that railway?

Mr. COOPER: The government.

Mr. JACKMAN: When do we see it?

Hon. Mr. HANSON: Never. You can get it in the public accounts.

Mr. JACKMAN: Do they publish an operating statement too?

Hon. Mr. MICHAUD: Not in detail, no. I have not got the public account—there is a lump sum, I think, showing the difference between the cost of operation and the actual disbursements.

Hon. Mr. HANSON: Outgo and income—mostly outgo?

Mr. VAUGHAN: The Hudson Bay road is doing a little better than earning its operating expenses now.

Hon. Mr. MICHAUD: The eskimos seem to have come into their own.

Mr. VAUGHAN: The next item is major contingent liabilities. That is followed by the certificate of the auditors, George A. Touche & Co.

Mr. JACKMAN: Do you want to take up these contingent liabilities now?

The CHAIRMAN: That is about all we have to do with this report.

Mr. VAUGHAN: I think we will make better progress if we keep to the various pages of the report, one at a time. We are at page 15, I think. I will deal with the totals on page 15, if that is agreeable to the committee.

CONSOLIDATED INCOME ACCOUNT

	1942	1941
Railway Operating Revenues.....	\$375,654,543 40	\$304,376,778 12
Railway Operating Expenses.....	288,998,674 72	237,768,437 13
Net Revenue from Railway Operations.....	\$ 86,655,868 68	\$ 66,608,340 99
Railway Tax Accruals.....	6,020,140 74	6,926,512 63
Railway Operating Income.....	\$ 80,635,727 94	\$ 59,681,828 36
Rent from Locomotives.....	108,629 51	114,457 21
Rent from Passenger-Train Cars.....	276,871 98	222,056 70
Rent from Floating Equipment.....	10,413 38	466 31
Rent from Work Equipment.....	107,544 10	168,327 51
Joint Facility Rent Income.....	1,874,215 00	1,677,688 15
Hire of Freight Cars—Debit Balance.....	5,115,873 74	3,460,502 17
Rent for Locomotives.....	62,772 33	32,450 19
Rent for Passenger-Train Cars.....	495,442 65	392,130 23
Rent for Floating Equipment.....	17,883 33	68,283 58
Rent for Work Equipment.....	7,325 35	21,623 27
Joint Facility Rents—Debit.....	2,383,882 98	2,263,257 44
Net Railway Operating Income.....	\$ 74,930,221 53	\$ 55,626,577 36
Revenues from Hotel Operations.....	4,895,506 40	4,467,078 53
Expenses of Hotel Operations.....	4,174,077 36	3,733,762 27
Taxes on Hotel Property.....	151,705 62	141,815 55
Net Hotel Operating Income.....	\$ 569,723 42	\$ 591,500 71

CONSOLIDATED INCOME ACCOUNTS—*Con.*

	1942	1941
Income from Lease of Road and Equipment.....	55,002 57	70,903 32
Miscellaneous Rent Income.....	796,904 21	792,089 48
Miscellaneous Non-Transportation Property—Credit.....	351,632 50	292,654 63
Separately Operated Properties—Profit or Loss.....	629,843 17	360,935 35
Dividend Income	372,336 75	550,072 00
Income from Funded Securities.....	2,380,836 57	1,944,841 41
Income from Unfunded Securities and Accounts.....	301,051 74	232,495 73
Income from Sinking and Other Reserve Funds.....	199,163 57	156,311 39
Miscellaneous Income	1,295,022 30	1,293,854 96
Miscellaneous Rents—Debit	541,459 33	557,368 63
Miscellaneous Tax Accruals.....	96,057 78	90,068 01
Miscellaneous Income Charges and Appropriations.....	2,291,787 85	1,941,613 79
Income Available for Fixed Charges.....	\$ 78,952,433 37	\$ 58,601,315 21
Rent for Leased Roads and Equipment.....	1,483,345 19	1,499,376 48
Interest on Funded Debt—Public.....	34,949,557 92	44,698,226 88
Interest on Government Loans.....	14,032,634 59	5,646,762 24
Interest on Unfunded Debt.....	192,017 48	145,202 57
Amortization of Discount on Funded Debt.....	1,012,379 87	1,172,786 26
Total Fixed Charges.....	\$ 51,669,935 05	\$ 53,162,354 43
Income Balance transferred to Profit and Loss.....	\$ 27,282,498 32	\$ 5,438,960 78

Mr. NICHOLSON: Has Mr. Vaughan figures available for the worse year?

Mr. VAUGHAN: We have that information available and we can give it to you.

Hon. Mr. HANSON: Are you going to skip from page 14?

Mr. VAUGHAN: We will come back to that. The amount at the bottom of page 15 is carried over to page 14.

Mr. COOPER: The worst year was 1933 when our gross revenues were \$148,519,000 and our expenses were \$142,812,000 with a net revenue of \$5,707,000.

Mr. NICHOLSON: Your operating revenue has always exceeded your expenses?

Mr. COOPER: We have always managed to pay our expenses.

Hon. Mr. HANSON: Of course, that does not include any interest.

Mr. COOPER: No, sir.

Hon. Mr. HANSON: In any proper accounting should that not include interest?

Mr. COOPER: Not as an operating expense; interest is charged against income for the year.

Mr. HANSON: That is right.

Mr. VAUGHAN: Railway tax accruals, \$6,926,512 in 1941 and \$6,020,140 in 1942.

Mr. JACKMAN: Where is that?

Mr. VAUGHAN: Page 15.

Mr. JACKMAN: Why is that down from \$6,900,000 to \$6,000,000? I am not sure I understand that exactly.

Mr. VAUGHAN: One reason it is down is on account of the provincial taxes about which Mr. Hanson spoke.

Mr. JACKMAN: If that is the main one that is enough.

Mr. VAUGHAN: That is the main reason. Railway operating income, \$59,681,828 in 1941 and \$80,635,727 in 1942. Do you wish me to read all this or just the totals?

Hon. Mr. HANSON: Just the totals.

Mr. JACKMAN: I do not know whether it would help people to read your report if you would group your debit and credit items together a bit more instead of having them all mixed up here. I do not know what the purpose of this report is and to whom it goes. There are no shareholders except the Crown. I do not suppose you send it out to all your employees, but you have almost got to be an accountant to understand some of it. If you are not used to accounting terms it is difficult to understand and comprehend it.

Mr. COOPER: I think there is some point in what you say, Mr. Jackman, but this is the ordinary railroad income statement set up on the standard form provided by the authorities, and on that basis is comparable with all other carriers. I can see for the information of this committee it might be set up a little differently. This report goes into the hands of bankers and financial houses and other carriers, and from their point of view what might be satisfactory for the committee might not be satisfactory for them. So we cannot please both of you, but what we did yesterday was to file a statement, which will be in the minutes of this committee, grouping all the credit items and all the debit items breaking down the total of \$12,000,000 which was referred to yesterday.

Hon. Mr. HANSON: May I ask where your capital expenditures are in this report?

Mr. COOPER: They are on page 20.

Hon. Mr. HANSON: Property investment account.

Mr. COOPER: It shows our expenditures in 1942 were \$21,109,000.

Hon. Mr. HANSON: Some time during this investigation I would like to have some sort of breakdown on the figures which were used by the Minister on the 19th of March at page 1417 of Hansard in which he said the Canadian National railways has spent \$4,646,375 in New Brunswick since the beginning of the war. I would like to have a breakdown of those figures. I have obtained from an issue of the *St. John Telegraph Journal* of March 27th the following figures: For 1939, \$549,135; 1940, \$1,086,846; 1941, \$2,421,595; 1942, \$588,799, making a grand total of \$4,646,375. I want to know whether those were capital expenses and what was their character.

Mr. COOPER: A question has been asked on that and we are at work in Montreal trying to get that detail together.

Hon. Mr. HANSON: That would include the new train operating device, for instance?

Mr. WALTON: That is not entirely in New Brunswick, only a portion of it.

Hon. Mr. HANSON: We are trying to test out these figures because there is a feeling in the province that we have just had chicken feed down there out of the war expenditure. The effort made in this speech to which I referred showed that New Brunswick had not fared so badly, that we had \$80,000,000 or \$90,000,000 spent in the province and it included this item of \$4,646,375 to swell the total. Of course, there is a great lack of war employment down there in a province that has subscribed—this is just a general observation—so generously to Red Cross, to government loans, to all other war effort. We feel we have been slighted in the government war expenditure.

The CHAIRMAN: Shall we proceed?

Mr. VAUGHAN: I may say we have not spent a dollar any place or in any province that we did not need to.

Hon. Mr. HANSON: I will make that quite clear. I am not indicating the railway at all, but I want to know what these figures are to see if they bear out the Minister's statement. I will lay the cards right on the table.

Mr. JACKMAN: Just before you leave the terminology of this income account, why do you not put your debit items in italics? I notice you use italics elsewhere in the statement at the back. Would that not draw one's attention more clearly to the fact some of these items are out-go and others are income? That is in the difference of \$18,000,000 and \$74,000,000.

Mr. COOPER: I think we could improve this. I grant you for the purposes of this committee this statement could be set up in a better fashion, and next year we will try and do so.

Hon. Mr. HANSON: Of course, you would arrive at the same thing.

Mr. COOPER: Yes.

Mr. JACKMAN: Of course, you cannot please everyone. We are not asking that you suit us alone because after all you can explain it to us but on page 18 under transportation expenses where you have got two items—

Mr. McCULLOCH: Let us wait until we get to that.

Mr. JACKMAN: I am sorry, but I wish to take this up now; operating joint yards and terminals, you have got the debit there in ordinary type and you have got the credit in italics; why do you not use that method for the consolidated income account.

Mr. COOPER: I think that is a good suggestion.

Mr. JACKMAN: All right.

Mr. VAUGHAN: Do you wish me to read all these items after railway operating income or just the totals?

Hon. Mr. HANSON: Just the totals.

Mr. VAUGHAN: Net railway operating income, \$74,930,221 in 1942 as against \$55,626,577 in 1941. Revenues from hotel operations, \$4,895,506 in 1942 as against \$4,467,078 in 1941. Expenses of hotel operations, \$4,174,077 in 1942 as against \$3,733,762 in 1941.

The CHAIRMAN: Are they all paying now?

Mr. VAUGHAN: It depends on what you call paying.

Mr. NICHOLSON: Could we have a breakdown showing the position?

Mr. VAUGHAN: We have already filed that. That is in the record now.

Hon. Mr. HANSON: The trouble is I have never received any of the printed report of this committee. Has it been printed yet?

The CHAIRMAN: Just the first report as far as I know.

Mr. VAUGHAN: We have not seen any.

Mr. EMMERSON: The order to print it was held up in the House.

Hon. Mr. HANSON: I offered to let that part go through.

The CHAIRMAN: The printing was only authorized on Wednesday so they could not get at it.

Hon. Mr. HANSON: I offered to let that go through.

Mr. JACKMAN: As a result of these hotel operations for the year you had quite a bit bigger gross, \$230,000 odd nearly and you made \$22,000 less money.

Mr. VAUGHAN: You will observe that \$10,000 of that has been taken up in taxes. Of course, the cost of living bonuses are in there, and the cost of meals and rooms as you know, have been frozen. We could not increase them to meet our added expense.

Hon. Mr. HANSON: They took the opportunity to increase them before that order came in. I am not complaining but that is kind of a joke, you know. You got out from under.

Mr. VAUGHAN: It was not done with that purpose. We did not know the order was coming along.

Mr. McCULLOCH: They are getting more for their coffee now.

Hon. Mr. HANSON: Yes, in the dining room cars but not in the hotels.

Mr. VAUGHAN: The cost of living bonus in hotels in 1941 was \$100,000; in 1942 it was \$255,000, an increase in the cost of living bonus alone of \$155,000.

Hon. Mr. HANSON: You cannot have your cake and eat it too. If you are going to have higher expenses, you have got to take the consequences. There is a squeeze somewhere. If there is a deficit, you have to pay it from other sources. It is the old story of trying to interfere with and defeat the laws of supply and demand, and it just cannot be done.

Mr. JACKMAN: You expect this year, I suppose, that your gross from hotel operations will undoubtedly equal if not exceed last year. How are you finding your costs?

Mr. VAUGHAN: I think our gross will exceed what it was last year, and I would be disappointed if we did not have a better net result at the end of the year.

Hon. Mr. HANSON: But you find your costs gradually creeping up, little by little, all the time, do you not?

Mr. VAUGHAN: Yes, they are.

Hon. Mr. HANSON: There is no doubt about that.

Mr. JACKMAN: How can you expect to make as much as you made last year out of your hotels?

Mr. VAUGHAN: Perhaps by giving a little less service.

Mr. JACKMAN: By making the pie a little smaller?

Mr. VAUGHAN: We are certainly trying to keep expenses down as well as we can.

Mr. HANSON: (*Skeena*): The summer hotels are going to be closed up this year, are they not?

Hon. Mr. HANSON: Will that operate as a saving?

Mr. VAUGHAN: I did not catch that.

Hon. Mr. HANSON: The summer hotels, Mr. Hanson of Skeena observes, are to be closed this summer.

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: Will the net result of that be a saving to the system? I mean, in dollars and cents?

Mr. VAUGHAN: I do not think there will be very much difference. In normal times these summer hotels do not do very much better than break even. Jasper did better than any of them; but last year Jasper did not have a good year. Minaki, I think, had a fairly good year last year. Pictou lodge has never made any money.

Hon. Mr. HANSON: It will probably be closed for good.

Mr. VAUGHAN: Well, I hope so.

Mr. EMMERSON: No. Do not suggest that.

Hon. Mr. HANSON: It is a nice place to go, anyway. I will say that.

Mr. VAUGHAN: Our hotel situation has been showing an improvement constantly over a period of years, but we had less net revenue in 1942 than in 1941.

Mr. JACKMAN: Have you the operating statements for the two months or three months of this year? Perhaps you have your third month, although that is hardly likely yet.

Hon. Mr. HANSON: No, not yet.

Mr. VAUGHAN: The two months, I think, show a larger profit.

Hon. Mr. HANSON: Better than last year?

Mr. Ross: How is the hotel Vancouver coming on, the new C.N. Hotel in Vancouver?

Mr. VAUGHAN: Vancouver hotel is doing about as well as could be expected. The Vancouver Hotel Company is owned jointly by the Canadian Pacific Railway and ourselves.

Mr. Ross: That is why I asked the question.

Mr. VAUGHAN: It is a joint operation. I think we can give you the net earning from operations there.

Mr. HANSON (*Skeena*): That would be in the breakdown of the hotels which you gave us, would it not? That would include the Vancouver hotel?

Mr. VAUGHAN: No. The Vancouver hotel is not included there because we do not operate it. It is operated by an independent company.

Mr. HANSON (*Skeena*): Would you give us that just now, because I was anxious to get that.

Mr. VAUGHAN: The net result of operations for the Vancouver hotel in 1942 was \$143,611.

Hon. Mr. HANSON: That is just operations?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: Without depreciation, interest or anything like that?

Mr. COOPER: There is no interest there. We depreciate furniture and furnishings.

Hon. Mr. HANSON: Did the C.P.R. put up half the money for the cost of the hotel?

Mr. VAUGHAN: No.

Hon. Mr. HANSON: Who own the hotel?

Mr. VAUGHAN: We own it and we rent it.

Hon. Mr. HANSON: You rent it to the company?

Mr. VAUGHAN: We rent it to the operating company; and the C.N. and the C.P. each have a half interest in the company.

Hon. Mr. HANSON: Let me say that it is a grand hotel. It should have a little bit of publicity. It will not hurt it.

Mr. Ross: It is one of the best in Canada.

Mr. JACKMAN: Is your restaurant one of the most difficult items now to handle, with the rising costs in the hotel business, having regard to your food bill and services?

Mr. VAUGHAN: The food supply is difficult.

Mr. JACKMAN: There is no ceiling on some of the items of food. What I am getting at is whether or not the 5 cent increase is justified in the price of non-alcoholic beverages. It is not much of an item to you people, I know, but I am told by some restaurant people that they do not know where their costs are at all, they are jumping around so much, with no ceiling on many food items. Is that your experience?

Mr. VAUGHAN: It is on some of the farm items—farm produced items. There are not ceiling on all of them. In answer to your question, Mr. Jackman, where you asked for the result of operations of hotels for the two months of this year compared with last year, we show a net hotel operating income for the two months of this year of \$146,607 against \$52,000 for the two months last year.

Hon. Mr. HANSON: That is \$73,000 a month.

Mr. JACKMAN: Can you tell me whether or not you are making more on your restaurant end,—that is, the food end—than you were last year?

Mr. VAUGHAN: I could not say that without checking up the statements.

Hon. Mr. HANSON: The big item is room rent. If you keep your hotel full, you are all right.

Mr. VAUGHAN: If you have a reasonably high occupancy you do fairly well.

Hon. Mr. HANSON: How is the Chateau Laurier doing? Pretty good, is it not?

Mr. VAUGHAN: Yes. You will have in the statement we gave you the net earnings of the Chateau Laurier for last year.

Mr. JACKMAN: We have not that yet.

Mr. EMMERSON: It is filed.

Mr. VAUGHAN: The net earnings of the Chateau Laurier for 1942 were \$379,432.

Mr. JACKMAN: You dropped badly on that. In the previous year it was \$400,000 and something.

Mr. VAUGHAN: The previous year it was \$405,744; but the cost of living bonus and the extra cost of food with the stabilized rates did not help us very much.

Hon. Mr. HANSON: It robbed you of something. You see, if you interfere with the economic laws of the country, a deficit has got to be made up somewhere. You lost so much money last year on the Chateau and it comes out of your consolidated income account.

Mr. VAUGHAN: We did not lose money on the Chateau.

Hon. Mr. HANSON: They earned less in comparison with the previous year.

Mr. VAUGHAN: Oh, yes.

Mr. JACKMAN: Depreciation comes into it.

Hon. Mr. HANSON: No. This is just operations. I think the country is entitled to keep the Chateau going, because this is the capital of the country and there has to be proper hotel accommodation for the public. Whether the C.N. should have to bear that burden or the country is a different thing. I think the country is entitled to keep it going, and I have never taken exception to it.

Mr. JACKMAN: Perhaps Mr. Hanson will help you with a subsidy, if you apply for it.

Hon. Mr. HANSON: No, I will not.

Mr. VAUGHAN: Are there any questions in connection with any of the other items on that page that the members would like to ask about?

Hon. Mr. HANSON: I see you have income from sinking and other reserve funds. How much is the sinking fund? What are those sinking funds?

Mr. VAUGHAN: We can give that to you.

Mr. COOPER: The sinking funds shown on the balance sheet amount at the end of 1942 to \$756,000. There are really only two of them. One is in connection with the St. John and Quebec railway. Under the trust deeds securing the debenture stock of that railway we have to pay into a sinking fund.

Hon. Mr. HANSON: To keep up the terms of the trust deeds?

Mr. COOPER: Yes. Then there is another issue with a somewhat similar condition.

Hon. Mr. HANSON: That is to conform to that legal position?

Mr. COOPER: Yes.

Hon. Mr. HANSON: Otherwise we would not have them.

Mr. VAUGHAN: Can we go to page 14?

Hon. Mr. HANSON: Yes.

Mr. VAUGHAN: Very well.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31st December, 1942

Credit balance transferred from income	\$27,282,498.32
Loss from retired road and equipment—debit	2,356,466.06
Miscellaneous—credit	137,236.06
<hr/>	
Cash surplus	\$25,063,268.32
Capital gain on repatriated securities	11,072,592.96
Capital loss on line abandonments (Details on page 20)	4,575,998.43
<hr/>	
Net gain credited to proprietor's equity	\$31,559,862.85

Hon. Mr. HANSON: On the item of capital gain on repatriated securities, that means that you bought them in at a figure substantially less than you were carrying them at?

Mr. VAUGHAN: It means that the vesting price was less than the par value.

Hon. Mr. HANSON: That was on account of the value of sterling, largely, was it not?

Mr. COOPER: No. It was dependent on the market price of the stocks on the date of the vesting order.

Mr. JACKMAN: Sterling had a good deal to do with it, did it not?

Hon. Mr. HANSON: Did you make any profit on the exchange?

Mr. COOPER: In buying sterling to retire them at the vested price, there would be some gain as compared with the standard, the par of exchange at which the liabilities were set up.

Hon. Mr. HANSON: How much? Would it be 10 per cent?

Mr. COOPER: The par of exchange is \$4.86 $\frac{2}{3}$, and this sterling was charged to us at the rate of \$4.45.

Hon. Mr. HANSON: And that meant a saving to you of 41 cents on the pound sterling?

Mr. COOPER: Yes.

Hon. Mr. HANSON: That will be a substantial part of this whole \$31,000,000?

Mr. COOPER: Yes.

Hon. Mr. HANSON: Then, the greater part of that saving would be on account of exchange?

Mr. COOPER: Yes.

Hon. Mr. HANSON: So the market value and the investment value were approximately the same.

Mr. COOPER: I would have to figure that out.

Mr. JACKMAN: They were vested at the market value in the old country.

Mr. COOPER: Vested at the market value on the date on which the vesting order was issued.

Mr. COOPER: Yes.

Mr. SHAW: On that capital loss on line abandonments; is that less the salvage value of the abandoned line?

Mr. COOPER: Yes.

Mr. SHAW: Could we have the figure with respect to the salvage value?

Mr. COOPER: The amount of the salvage is the second item on the capital expenditures sheet, page 20, salvage from line abandonment \$201,000.

Hon. Mr. HANSON: What lines have you abandoned during the year?

Mr. VAUGHAN: The line abandonments are shown on page 20 of the report.

Mr. HANSON (*Skeena*): Are you through with page 14?

The CHAIRMAN: There is an item at the bottom of that page, Dominion of Canada—Proprietor's Equity; now do you want to discuss that?

Mr. JACKMAN: Just before you leave this other item: I see there, loss from retired road and equipment—debit \$2,356,000; what does that represent?

Mr. COOPER: That represents the loss when property is retired and not replaced. When the property is replaced the cost of replacing it in kind is operating expense, when property is retired and not replaced, the loss is considered a charge to profit and loss.

Hon. Mr. HANSON: Yes. We had that out the other day.

Mr. JACKMAN: Is that a similar item to the one we had on T.C.A. where you realized from the sale of these old engines the amount of the book value less depreciation?

Mr. COOPER: No, I do not think so. I think, Mr. Jackman, there was no element of capital profit in that transaction. With respect to the sale of the engines, the profit there arose by reason of the fact that the depreciation accruals had reduced the ledger value of the engines to less than the amount we recovered when they were sold; and the credit was really an adjustment back to the operating expense account which had been charged with the depreciation accruals as they were made.

Mr. VAUGHAN:

DOMINION OF CANADA—PROPRIETOR'S EQUITY

	Balance at 31st Dec., 1941	Change during year	Balance at 31st Dec., 1942
Canadian National Railway Company, Capital Stock	\$ 18,000,000.00		\$ 18,000,000.00
The Canadian National Railways Securities Trust, Capital Stock	267,283,019.32	\$31,559,862.85	298,842,882.17
Capital Expenditures on Canadian Government Railways	377,893,343.58	8,211.63	377,885,131.95
	<u>\$663,176,362.90</u>	<u>\$31,551,651.22</u>	<u>\$694,728,014.12</u>

We have a separate report later on about that.

The CHAIRMAN: Do the committee wish to go into this matter?

Hon. Mr. HANSON: Just one question: I notice there is a change there of \$31,550,000 in Canadian National Railways position; would you explain that?

Mr. COOPER: That is an increase, sir.

Hon. Mr. HANSON: Oh yes, pardon me.

Mr. COOPER: The increased amount is shown up above; it is the net gain on the year's operations—\$31,000,000 odd; and is added to proprietor's equity.

Hon. Mr. HANSON: Oh yes, that is right. I get it now.

The CHAIRMAN: Then we come to operating revenue—page 16.

Mr. VAUGHAN:

OPERATING REVENUES

	1942	1941
Freight	\$284,427,334 25	\$236,519,309 12
Maritime Rates Reduction.....	4,034,861 04	3,072,978 27
Passenger	48,297,257 89	31,893,884 07
Baggage	117,175 53	101,808 06
Sleeping Car	2,952,807 96	1,952,632 39
Parlour and Chair Car.....	285,926 35	189,417 11
Mail	3,967,352 40	3,822,499 58
Railway Express Agency	492,511 29	334,084 04
Express	13,010,214 49	11,391,137 28
Other Passenger-Train	15,947 45	15,749 17
Milk	327,131 84	306,386 71
Switching	2,884,872 48	2,901,404 95
Water Transfers	133,677 23	156,087 81
Dining and Buffet	3,133,256 51	2,146,514 73
Restaurants	22,612 05	20,910 50
Station, Train and Boat Privileges.....	298,421 28	180,287 26
Parcel Room	89,558 56	56,810 44
Storage—Freight	123,437 22	164,632 67
Storage—Baggage	48,872 07	25,106 27
Demurrage	1,772,752 18	965,294 04
Telegraph and Telephone.....	12,162 10	11,449 17
Telegraph—Commercial	5,910,065 10	5,147,064 97
Grain Elevator	528,267 38	494,572 15
Rents of Buildings and Other Property.....	566,689 71	496,128 28
Miscellaneous	1,753,320 73	1,641,698 42
Joint Facility—Credit	570,939 88	466,851 53
Joint Facility—Debit	122,881 57	97,920 87
	<hr/>	<hr/>
	\$375,654,543 40	\$304,376,778 12

That is the breakdown of the total operating revenue of \$375,000,000. If there are any questions there that anyone would like to ask in connection with these items—

Hon. Mr. HANSON: Generally speaking there is an increase in almost every item; as to dining-car and buffet service, does that pay you?

Mr. VAUGHAN: No, sir. It does not.

Hon. Mr. HANSON: It is just a convenience to the public?

Mr. VAUGHAN: It is for the convenience of the public, yes.

Hon. Mr. HANSON: It never has paid you?

Mr. VAUGHAN: It never has paid.

Mr. JACKMAN: How did it come up so much as compared with the totals for the whole operating revenues, you are up about \$25,000?

Mr. WALTON: Heavy troop movement contributed to the revenue part of this picture, of course; as well as extra travel.

Mr. SISSONS: Does the revenue received from the Alberta-Northern railways come into this table?

Mr. COOPER: No, that is taken as a credit on the income statement and is shown on page 15. That is a separate company. It is not a part of Canadian National Railways system. It appears in the fourth item in the second half of the statement—Separately Operated Properties, \$629,000.

Mr. SISSONS: What revenue did you receive in 1942 from it?

Mr. COOPER: We received \$687,000—that is a one-half proportion of the net result.

Mr. SISSONS: How does that compare with 1941?

Mr. COOPER: In 1941 they had a loss of \$404,000; so there was an improvement of \$1,100,000—that is a 50 per cent portion of the improvement.

The CHAIRMAN: Does the passenger service pay now? My understanding is that it never did in the past.

Mr. VAUGHAN: On some of the trains it pays.

Hon. Mr. HANSON: Would it be possible to obtain from you how much of an increase in freight is due to war movements? You could not tell us the other day. Could you tell us how much of that is paid by the dominion government and its wholly owned companies?

Mr. COOPER: You mean, by bills rendered directly to the government?

Hon. Mr. HANSON: Yes.

Mr. COOPER: We could dig that out but it would take some time.

Hon. Mr. HANSON: Would it be in the nature of \$100,000,000 say?

Mr. COOPER: I could not say.

Hon. Mr. HANSON: Well then, in the same way with respect to passenger traffic, there is a big increase there of \$16,500,000; there is no doubt a great increase in the civilian passenger traffic, but the troop traffic has been a very important item.

Mr. VAUGHAN: Troop traffic has been very heavy, and civilians have had more money to spend. They are apparently doing more travelling.

Hon. Mr. HANSON: You are still carrying week-end excursions?

Mr. VAUGHAN: Yes, the low week-end rates are still in effect.

Hon. Mr. HANSON: If they were eliminated would that not cut down the civilian traffic?

Mr. VAUGHAN: They are in the process of being eliminated. Perhaps the Minister (Hon. Mr. Michaud) could say something about that. It comes under the Transit Controller and the Wartime Prices and Trade Board.

Hon. Mr. MICHAUD: For the benefit of the committee I might say that we were trying to eliminate these rates for a four-month period from the 15th of April to the 15th of August to see whether or not it will help the traffic situation. There will be no week-end excursion rates for the four-month period from April 15th next.

Hon. Mr. HANSON: It would have been a grand thing if it had been eliminated long ago.

Mr. VAUGHAN: The Wartime Prices and Trade Board refused to do it, and it has taken a long time to persuade them.

Hon. Mr. HANSON: Why?

Mr. VAUGHAN: They claimed it might increase the cost of living.

Mr. JACKMAN: Do troops enjoy an advantage in respect to week-end rates?

Mr. WALTON: There is no change in respect to the cost of transportation to them.

Hon. Mr. MICHAUD: That is right, there is no change in respect to troops.

Mr. VAUGHAN: They get special rates.

Mr. JACKMAN: Yes, and it does apply to the week-end ticket. You could be doing better if you took away these week-end tickets.

Mr. WALTON: That is what the minister says; it is proposed to withdraw them for a period of four months.

Hon. Mr. MICHAUD: All special rates for civilians will be withdrawn for a period of four months from the 15th of April; so that the only persons getting a special rate will be troops.

Mr. JACKMAN: I suppose you discussed with the Wartime Prices and Trade Board the desirability of cutting out these rates long ago?

Mr. VAUGHAN: We have been making representations to them for several months.

Hon. Mr. HANSON: What did they have to offer in that regard?

Hon. Mr. MICHAUD: They claimed that a lot of business people were taking advantage of these special low rates at week-ends to transact business, and that to deprive them of that privilege would increase the cost of doing blsiness and that in turn would affect the cost of living. That is the argument that was put up.

Hon. Mr. HANSON: That is just another illustration; they take a certain position and then they hold on at all costs.

Mr. WALTON: I think it was their view that they would not permit us to charge a higher rate for the week-end than was in effect in the test period which they had set. That was their position in reply to us, and apparently that has been altered, from what the Minister says.

Hon. Mr. HANSON: That just shows the inflexibility of this scheme which is so rigid that it often defeats itself; and here it is being eliminated now after months of trouble.

Mr. JACKMAN: This elimination which the Minister mentioned, and about which you are speaking, takes effect from the middle of April?

Hon. Mr. MICHAUD: Yes, from the middle of April, for a period of four months.

SUMMARY OF OPERATING EXPENSES

Maintenance of Way Structures..	\$ 57,656,537.63	\$ 47,072,687.81
Maintenance of Equipment	71,540,489.55	55,148,687.84
Traffic	5,392,336.65	5,306,329.32
Transportation	139,607,558.82	118,081,059.98
Miscellaneous Operations	4,002,852.61	2,706,792.26
General	10,798,899.46	9,859,802.21
Transportation for Investment—Credit..		406,922.29
	<u>\$288,998,674.72</u>	<u>\$237,768,437.13</u>

MAINTENANCE OF WAY AND STRUCTURES EXPENSES

	1942	1941
Superintendence	\$ 3,347,753.82	\$ 3,133,583.29
Roadway Maintenance	6,304,724.89	5,689,751.33
Tunnels and Subways	101,281.33	169,863.42
Bridges, Trestles, and Culverts	2,386,493.81	1,878,062.78
Ties	5,214,706.04	4,813,150.98
Rails	2,944,779.24	2,749,468.36
Other Track Material	2,365,972.61	2,321,715.90
Ballast	1,204,389.97	995,211.33
Track Laying and Surfacing	14,117,355.58	12,326,465.99
Fences, Snowsheds and Signs	496,884.09	524,558.77
Station and Office Buildings..	2,133,215.05	2,472,627.47
Roadway Buildings	259,663.68	214,790.03
Water Stations	593,114.87	497,285.22
Fuel Stations	276,061.74	251,986.19
Shops and Enginehouses	2,873,778.68	1,683,645.30
Grain Elevators	350,094.03	39,368.80
Wharves and Docks	214,376.03	169,264.50
Coal and Ore Wharves	8,081.38	3,265.42
Telegraph and Telephone Lines	912,553.50	874,563.28
Telegraph—Commercial	871,689.15	890,137.14
Signals and Interlockers	838,901.73	794,063.03
Power Plants	7,859.51	10,447.46
Power Transmission Systems	92,022.70	119,214.78
Miscellaneous Structures	1,667.78	2,242.06
Road Property—Depreciation—U.S. Lines	22,817.37	27,537.24
Deferred Maintenance	4,350,000.00	.. . . . .
Roadway Machines	422,025.55	410,168.02
Road—Amortization of Defence Projects	1,002,696.17	500,000.00

MAINTENANCE OF WAYS AND STRUCTURES EXPENSES—*Con.*

	1942	1941
Small Tools and Supplies	727,166.58	668,056.19
Removing Snow, Ice and Sand	2,220,020.47	1,884,642.87
Public Improvements—Maintenance	270,057.48	285,200.57
Injuries to Persons	448,736.51	388,428.58
Insurance	21,794.90	21,208.10
Stationery and Printing	62,537.71	65,002.72
Other Expenses	47,634.22	24,703.66
Maintaining Joint Tracks, Yards, etc.—Debit . .	656,193.83	792,881.62
Maintaining Joint Tracks, Yards, etc.—Credit . .	1,242,433.63	1,212,378.08
Right of Way Expenses	46,746.79	39,506.75
Protective Services	683,122.47	552,996.74
	<hr/> \$ 57,656,537.63	<hr/> \$ 47,072,687.81

Mr. JACKMAN: Is there any comment to make on the item "Station, train and boat privileges"? What do you do, rent space in the station for storage of goods?

The CHAIRMAN: Station, train and boat privileges.

Mr. COOPER: These are station privileges and train privileges, which are operated by the Canada Railway News Company. They pay us a percentage of their gross. Their gross has increased relatively to the increased transportation and we benefit in that way.

Mr. JACKMAN: Not all news vending?

Mr. COOPER: Restaurants, news services on the trains.

Mr. EMMERSON: You have two items here. What is this, "Roadway buildings" as opposed to "Station and office buildings, roadway buildings and station buildings"? There has been an increase in one and a decrease in the other.

Mr. COOPER: We are back on operating expenses for the minute.

Mr. JACKMAN: Are you surprised your commercial telegraph is not up relatively more during the year? I was wondering if one reason for that was not the increased use of air mail.

Mr. VAUGHAN: Undoubtedly air mail has affected telegraphs to some extent. Our gross revenue has increased, but our expenses also increased very substantially.

Hon. Mr. HANSON: Your main competitor is the telephone?

Mr. VAUGHAN: Telephone and the Canadian Pacific telegraphs.

Hon. Mr. HANSON: Your competitor?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: Now, with regard to maintenance of way and structures, is that up normally with expenditures?

Mr. WALTON: It is normal except for these deferred items that we have had to provide for.

Mr. VAUGHAN: That deferred item is included in there, Mr. Hanson.

Hon. Mr. HANSON: Now \$57 million.

Mr. WALTON: Yes.

Mr. VAUGHAN: And also included in the maintenance of equipment.

Hon. Mr. HANSON: The money was not actually spent, then?

Mr. EMMERSON: My interrogation was in regard to "Maintenance of way and structures expenses." I mentioned you have there "Station and office buildings" and "Roadway buildings." What is meant by "Roadway buildings," and I see there is an increase?

Mr. WALTON: Roadway buildings refer to buildings used by the track forces, such as tool houses and so on.

Mr. EMMERSON: Other than station buildings?

Mr. WALTON: Other than station buildings proper.

Mr. JACKMAN: In this item under "Summary of operating expenses" I notice "Miscellaneous operations, \$4,002,852.61" for 1942 and \$2,706,792.26 for 1941. That is up relatively higher than the total. Is there anything in that particularly that you should call attention to?

Mr. VAUGHAN: That is shown on page 19, Mr. Jackman. The principal increase is in the dining car revenue.

Mr. JACKMAN: Expenses.

Mr. VAUGHAN: This is a summary. Perhaps you would rather wait and discuss the details. The details are further on. On page 17 you will find the details of both "Maintenance of way and structures" and "Maintenance of equipment expenses."

The CHAIRMAN: Is there any further discussion on page 17, if not we shall proceed to page 18?

Mr. JACKMAN: We are on page 17. Take the increase in "Shops and enginehouses." That is because of the greater increased use of the engines?

Mr. VAUGHAN: That is true.

Mr. JACKMAN: Grain elevators show an increase in expenses from \$39,-368.80 to \$350,094.03.

Mr. VAUGHAN: The loss on the Portland elevator is charged in there.

Mr. JACKMAN: Loss in the disposal of it?

Mr. VAUGHAN: Yes.

Mr. HANSON (*Skeena*): There is a big increase in the elevator expenses, from \$39,368.80 to \$350,094.03.

Hon. Mr. HANSON: They are filled to capacity now, formerly they were empty. That is the idea. You get the same rental from the Wheat Board as the line companies do.

Mr. VAUGHAN: We get the same charges for elevation and storage as others do.

Hon. Mr. HANSON: You are filled up to your capacity now for the most part?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: Instead of being a transient operation you have full storage the year round.

Mr. VAUGHAN: The elevators have been filled up.

Mr. JACKMAN: May I ask, Mr. Cooper, a question about the amortization of defence projects, \$1,002,696.17 as against \$500,000? What is the capital item that you reduced by the one million dollars? Do I find that separately at all?

Mr. COOPER: I will give you that, Mr. Jackman. If you will refer back to page 8 of the report you will see we show there under the heading "Amortization of war projects" the following:—

A charge of one million dollars was included in operating expenses as a further provision against the retirement loss anticipated at the termination of the war in respect of facilities provided solely for war-time traffic and which are not expected to have any usefulness for ordinary commercial operations.

Mr. JACKMAN: I understand the reason, but I was wondering if you show any other capital assets earmarked under defence projects.

Mr. COOPER: Yes; we have made a survey of all the capital projects.

Mr. JACKMAN: Most of these are branch lines and spurs; is that what they are?

Mr. COOPER: Yes, I would think so.

Mr. WALTON: They also include some expansion of our own facilities necessary directly for the handling of war traffic, not otherwise required.

Hon. Mr. HANSON: Lengthening of sidings?

Mr. WALTON: Yes, extension of some of our terminal yards only necessary because of the present volume of business.

Hon. Mr. HANSON: That would be true of Moncton.

Mr. WALTON: Yes, that is quite true.

Mr. EMMERSON: That extension of the siding from Pacific junction to Truro would not be included in connection with that service?

Mr. WALTON: No, not that. Some of these yard extensions like Napadogan are also in there.

The CHAIRMAN: It is almost 1 o'clock. If we could get another meeting or two of this committee we would be through with this matter, I should say, within a short time. Shall we meet this afternoon?

Mr. JACKMAN: We want to help as much as we can. We have got the West Indies Steamships Company yet, which will not take long, and the officers' report. Do you expect we will be able to release these officials today or do they have to come back?

Mr. VAUGHAN: We are at the disposal of the committee, but we would certainly like to get through so we will not have to come back if at all possible. I do not know whether the members sit on Saturday morning or not.

Hon. Mr. HANSON: No.

The CHAIRMAN: We might sit tonight.

Mr. VAUGHAN: A great many of the matters to follow have already been discussed. I should think if we sat this afternoon and this evening we might make pretty good progress towards that end.

Hon. Mr. HANSON: You will agree that our questions have been very brief so far.

Mr. VAUGHAN: I think all members have been very helpful.

The CHAIRMAN: We shall meet this afternoon at 3.30 o'clock.

The Committee adjourned at 1 p.m. to meet again at 3.30 p.m. this day.

AFTERNOON SESSION

The CHAIRMAN: Order; gentlemen, we have had a pretty good discussion about this matter. Let us get down to these tables and see if we cannot make a little headway. Page 13 is where we stopped, or did you finish it?

Mr. VAUGHAN: I think, Mr. Chairman, Mr. Cooper has a statement he would like to file in response to Mr. Hanson's request.

Mr. COOPER: Mr. Hanson asked for a statement showing the securities which had been repatriated. I will put this on the record. The total par value in 1940, 1941 and 1942 is \$400,766,651.51. Of that total \$7,991,000 was acquired from holders of Canadian registry who were given the privilege of surrendering their securities at the vesting price

REPATRIATION OF SECURITIES UNDER THE ARRANGEMENTS OUTLINED
ON PAGE 10 OF THE ANNUAL REPORT

Issuing Company	Name of Security	Par Value Redeemed
G.T.R.	5% Perpetual Debenture Stock.....	\$ 19,090,307 87
G.T.R.	5% G.W. Perp. Debtr. Stock and Bonds.....	12,124,326 67
G.T.R.	4% Perpetual Debenture Stock.....	565,594 27
G.T.R.	4% Nor. Rly. Perpetual Debtr. Stock.....	1,449,999 00
G.T.R.	4% Perpetual Guaranteed Stock	60,832,846 66
G.T.P.	3% 1st Mortgage Bonds.....	8,526,870 00
G.T.P.	4% Sterling Bonds	441,774 00
Can. Nor.	3% 1st Mortgage Debenture Stock.....	8,019,050 00
Can. Nor.	3½% 1st Mortgage Debenture Stock.....	2,243,549 93
Can. Nor.	6½% Sinking Fund Debenture Bonds.....	143,000 00
C.N.A.	3½% 1st Mortgage Debenture Stock.....	2,575,989 93
C.N.O.	3½% 1st Mortgage Debenture Stock.....	30,013,974 33
Can. Nat.	2% 1927 Guaranteed Debenture Stock.....	18,350,744 87
Can. Nat.	4½% 30 Year Guaranteed Gold Bonds.....	864,000 00
Can. Nat.	5% 40 Year Guaranteed Gold Bonds.....	3,296,000 00
Can. Nat.	5% 40 Year Guaranteed Gold Bonds.....	2,270,500 00
Can. Nat.	5% 40 Year Guaranteed Gold Bonds.....	662,000 00
Can. Nat.	4¾% 25 Year Guaranteed Gold Bonds.....	1,482,000 00
Can. Nat.	4½% 25 Year Guaranteed Gold Bonds.....	2,632,000 00
Can. Nat.	4½% 20 Year Guaranteed Gold Bonds.....	1,978,000 00
St. J. & Q.	4% 1st Mortgage Debenture Stock.....	2,069,058 47
C.N.W.	4½% 1st Mortgage Debenture Stock.....	1,059,702 06
C.N.W.	4½% 1st Mortgage Debenture Bonds.....	7,000 00
C.N.P.	4% 1st Mortgage Debenture Stock.....	15,290,351 27
C.N.P.	4½% Terminal Debenture Stock.....	7,409,042 53
G.T.R.	4% Canada Atlantic 1st Mortgage Bonds.....	6,025,914 00
G.T.R.	7% Wellington Grey & Bruce Bonds.....	29,686 67
G.T.R.	6% Northern Railway 3rd Pref. Bonds.....	68,133 33
G.T.P.	4% 2nd Mortgage Bonds, Prairie "A".....	6,618,348 00
G.T.P.	4% 2nd Mortgage Bonds, Mountain "B".....	6,785,046 00
G.T.P.	4% 1st Mortgage Bonds "Lake Superior"	5,375,160 00
Can. Nor.	4% Perpetual Cons. Debenture Stock.....	40,247,566 93
C.N.O.	4% Perpetual Cons. Debenture Stock.....	7,691,158 33
C.N.Q.	4% Perpetual Cons. Debenture Stock.....	4,752,382 73
Q. & L. St. J.	4% 1st Mortgage Perp. Debenture Stock.....	3,920,270 33
G.T.W.	4% 1st Mortgage Bonds.....	3,125,672 00
G.T.W.	4% 1st Mortgage Bonds.....	1,283,500 00
Total, 1942		\$289,320,520 18
Additional G.T.R. 4% Perpetual Debenture Stock redeemed in 1940 and 1941 under the 1940 Vesting Order.....		\$111,446,131 33
		\$400,766,651 51

Mr. VAUGHAN: I think we had finished maintenance of way and structures on page 17. Are there any questions any of the members would like to ask in regard to maintenance of equipment expenses?

MAINTENANCE OF EQUIPMENT EXPENSES

Superintendence	\$ 1,443,653 13	\$ 1,416,631 31
Shop Machinery	1,974,094 97	1,479,727 38
Power Plant Machinery.....	172,242 68	200,477 75
Steam Locomotives—Repairs	19,021,873 12	17,195,264 23
Other Locomotives—Repairs	157,163 82	83,508 30
Freight-Train Cars—Repairs	13,964,564 74	12,854,974 92
Passenger-Train Cars—Repairs	6,732,699 30	6,082,296 16
Floating Equipment—Repairs	262,588 03	126,725 88
Work Equipment—Repairs	1,659,361 17	1,377,955 76
Miscellaneous Equipment—Repairs and Retirements.....	257,022 53	277,277 14
Equipment Retirements (Demolition Cost).....	56,075 67	87,321 25
Equipment—Depreciation	16,974,945 14	13,591,187 71
Injuries to Persons.....	325,834 64	284,635 05
Insurance	20,143 79	17,846 77
Stationery and Printing.....	49,239 06	53,613 50
Other Expenses	14,690 68	2,029 68
Maintaining Joint Equipment—Debit.....	162,569 35	180,779 82
Maintaining Joint Equipment—Credit.....	208,272 27	163,564 77
Deferred Maintenance—Equipment	8,500,000 00	.....
		\$ 71,540,489 55
		\$ 55,148,687 84

Mr. JACKMAN: Equipment depreciation there is \$16,974,000 against \$13,591,000. Is the increase mathematically compiled on the basis of miles run or some other method?

Mr. VAUGHAN: We charged something over the ordinary amounts we accrue for depreciation. Mr. Cooper has some figures on that.

Mr. COOPER: We did step up our depreciation because of the greatly increased use of equipment during the year, the increase generally is related to the increase in gross revenue. In 1940, which was the year in which we commenced accruing depreciation on equipment in Canada, the percentage which depreciation charges bear to gross revenues was 4.55. In 1941 it was 4.47 and in 1942 it was 4.52.

Mr. JACKMAN: All right.

Mr. DONNELLY: May I refer back to the section above, maintenance of way and structures expenses? Are all your grain elevators rented?

Mr. VAUGHAN: Yes, they are.

Mr. DONNELLY: You do not run any of them yourselves?

Mr. VAUGHAN:—I think there is one at Tiffin on the Georgian bay we operate ourselves; also one at Portland.

Mr. WALTON: And St. John, N.B.

Mr. DONNELLY: Why are your expenses \$350,094.03 this year when they were only \$39,368.80 last year.

Mr. VAUGHAN: That was because there was charged into expenses the retirement of one of the elevators at Portland.

The CHAIRMAN: Page 18.

Mr. SHAW: Mr. Chairman, may I just make an observation? At a time like this when the government has indicated that certain conservation is essential with respect to paper, and so forth, I wonder each time as I take up these documents why they should be so elaborate. Why should you use such a quality of paper? It seems to me a government enterprise should set an example to the general public.

Mr. VAUGHAN: As a matter of fact, this report does not cost very much more than the other. We went into that matter before we changed the style of it but the additional cost was so small that we thought we would like to present it to the members and to the people of Canada in a little more presentable shape than it was presented before.

Mr. SHAW: My only reason for mentioning that is I have heard the remark passed quite a number of times since these reports became available, and I merely mention it in passing.

Mr. JACKMAN: As a matter of permanent record I think, Mr. Vauhan, it is well it should be on good stiff paper so we can keep it from year to year, and those who get it will be able to have something they can hold in their hands. There are a great many ways in which we could economize in paper around here, but I think this is one place where the money is reasonably well spent.

Mr. McCULLOCH: I think so, too.

The CHAIRMAN: Page 18, transportation expenses and traffic expenses.

TRAFFIC EXPENSES

	1942	1941
Superintendence	\$ 1,890,285 07	\$ 1,760,810 53
Outside Agencies	2,470,681 25	2,341,010 02
Advertising	361,231 53	555,327 47
Traffic Associations	107,300 71	101,419 10
Stationery and Printing	292,186 41	292,139 84
Other Expenses	615 69	964 40
Industrial Bureau	87,558 02	83,830 06
Colonization, Agriculture and Natural Resources.....	182,477 97	172,756 70
	<u>\$ 5,392,336 65</u>	<u>\$ 5,306,329 32</u>

TRANSPORTATION EXPENSES

Superintendence	\$ 3,517,511 59	\$ 3,191,034 94
Dispatching Trains	1,887,968 29	1,511,893 05
Station Employees	19,057,298 39	16,846,813 50
Weighing, Inspection and Demurrage Bureaus.....	90,211 44	80,923 25
Station Supplies and Expenses.....	1,488,617 01	1,291,513 61
Yardmasters and Yard Clerks.....	3,519,878 51	2,915,588 97
Yard Conductors and Brakemen.....	7,084,554 33	6,180,904 23
Yard Switch and Signal Tenders.....	689,892 34	572,516 38
Yard Enginemen	4,660,449 24	4,312,579 58
Yard Motormen	352,325 02	90,644 53
Yard Switching Fuel.....	5,164,506 94	4,219,156 05
Yard Switching Power Produced.....	9,628 33	9,941 00
Yard Switching Power Purchased.....	72,949 02	70,109 73
Water for Yard Locomotives.....	183,882 53	190,280 12
Lubricants for Yard Locomotives.....	75,723 31	56,871 80
Other Supplies for Yard Locomotives.....	42,122 12	39,446 72
Enginehouse Expenses—Yard	1,470,367 98	1,269,319 52
Yard Supplies and Expenses.....	156,618 84	142,379 55
Operating Joint Yards and Terminals—Debit.....	1,354,427 58	1,098,949 95
Operating Joint Yards and Terminals—Credit.....	1,873,925 67	1,515,609 54
Train Enginemen	13,456,416 11	11,672,320 18
Train Motormen	112,922 87	107,367 27
Train Fuel	27,712,029 98	21,618,816 11
Train Power Produced.....	12,360 89	11,667 11
Train Power Purchased.....	38,202 57	36,374 39
Water for Train Locomotives.....	1,183,171 34	1,091,892 42
Lubricants for Train Locomotives.....	483,470 42	416,321 37
Other Supplies for Train Locomotives.....	235,993 03	209,736 58
Enginehouse Expenses—Train	4,394,091 64	3,705,103 92
Trainmen	14,941,560 21	12,922,247 57
Train Supplies and Expenses.....	8,063,339 47	6,738,507 21
Operating Sleeping Cars.....	1,495,983 62	1,123,946 48
Signal and Interlocker Operation.....	471,830 46	424,623 11
Crossing Protection	711,091 44	636,082 15
Drawbridge Operation	119,177 70	105,818 96
Telegraph and Telephone Operation.....	357,470 56	307,926 56
Telegraph—Commercial	4,442,485 42	3,983,495 16
Operating Floating Equipment.....	1,025,644 50	790,564 10
Express	6,498,139 59	5,818,426 24
Stationery and Printing.....	597,244 11	570,832 15
Other Expenses	1,000,282 34	911,016 42
Operating Joint Tracks and Facilities—Debit.....	719,103 42	683,697 36
Operating Joint Tracks and Facilities—Credit.....	478,661 78	423,642 77
Insurance	11,656 56	11,209 52
Clearing Wrecks	384,231 96	285,103 85
Damage to Property.....	80,822 68	35,204 05
Damage to Live Stock on Right-of-Way.....	56,388 15	41,474 68
Loss and Damage—Freight.....	1,001,152 72	745,929 02
Loss and Damage—Baggage	7,987 02	2,928 01
Injuries to Persons.....	1,466,962 68	920,814 58
	<u>\$139,607,558 82</u>	<u>\$118,081,059 98</u>

Just run your eye down that list and see if there is any debate on it.

Mr. JACKMAN: It was mentioned the other day that advertising was down from the previous year. Could I ask the amount for the budget for the present year?

Mr. VAUGHAN: The budget for the present year is in line with the 1942 budget.

The CHAIRMAN: Any further discussion on page 18?

Mr. EMMERSON: There was one item there as to despatching trains. There is quite a little increase.

Mr. WALTON: That is natural because with the increase in traffic we have had to put on additional despatchers. In some cases where one man previously handled probably 250 miles that may have had to be cut in two and two men put on. It is directly related to the volume of traffic.

Mr. EMMERSON: The point in asking the question is that the change you have made in the method of despatching trains in certain sections of the system has meant an additional cost, and that would come in under this?

Mr. WALTON: It meant some additional cost which was partly offset by some savings in other directions. Trains have been speeded up and a generally accelerated movement which means less expense.

Mr. EMMERSON: But your despatching costs are up to a certain extent?

Mr. WALTON: Yes.

Mr. EMMERSON: You get benefits that cover it.

Mr. WALTON: You get the return in a different shape.

Mr. NICHOLSON: Mr. Chairman, chair cars have been cut off different trains. Is that to prevail for the duration of the war?

Mr. VAUGHAN: That will depend upon the Transport Controller. So far as I know we have no advice as to chair cars being restored on the trains in question.

Mr. NICHOLSON: How many more passengers can you carry in the regular day coach as compared with the chair car?

Mr. WALTON: Chair car occupancy is around 25 to 26 and the coaches run from about 66 up to 80 in some cases.

Mr. NICHOLSON: It would be better business for the railways to carry passengers in your coaches.

Mr. WALTON: It was done to reduce the number of trains, if possible.

Mr. NICHOLSON: How difficult would it be to change those chair cars to day coaches?

Mr. WALTON: They could be converted.

Mr. GRAY: That raises a question. You are still selling single sections from Toronto to Ottawa?

Mr. VAUGHAN: We had that matter up this morning and Mr. Walton got some details over night. There is an item in the record this morning about it.

Mr. GRAY: What is the item? I was not here.

Mr. WALTON: The situation is that in conjunction with the other lines we are now applying for authority to cancel that rate whereby a person with one ticket can secure a whole section.

Mr. GRAY: I am glad to hear that because they are not doing that on the United States lines.

Mr. WALTON: They cancelled it some time ago, and we have an application coming up now.

Mr. DONNELLY: I would like to know whether the Canadian National find that the T.C.A. has interfered very much with the telegraph line income?

Mr. VAUGHAN: Under existing conditions it has not interfered as much as it would in normal times because a great many more telegrams are being sent than would be dispatched in ordinary times, but when conditions become normal and air service increases there is no question but that airplane services will interfere to some extent with telegraph business.

Mr. DONNELLY: Your telegraph income has not expanded in the same way as some other things probably have expanded?

Mr. VAUGHAN: No, I do not think it has.

The CHAIRMAN: Page 19, miscellaneous operating expenses.

Mr. JACKMAN: Before we leave that other page, Mr. Chairman, may I ask a question with respect to the item of train enginemen and train motormen. I suppose the motormen are the ones who operate the single-car trains, the Diesel cars. Is that what the motorman of a train is? That is the tenth item down in the section on transportation expenses.

Mr. WALTON: Yes. That is what that is to cover, and also electric locomotives.

Mr. JACKMAN: Do you have a figure readily available as to how many train enginemen you had in 1942, and also train motormen?

Mr. VAUGHAN: They are lumped together here, I think.

Mr. JACKMAN: Both together would do.

Mr. WALTON: It is lumped as one figure in respect to train and enginemen, including conductors, engineers, firemen, brakemen, yard foremen and yard helpers—15,101 employees.

Mr. JACKMAN: That is not just train enginemen?

Mr. WALTON: No, it is not. We have not broken it down here other than that.

Mr. JACKMAN: What I am trying to do is to divide the number of men into \$13,456,000. But the figure which you gave me is not suitable for that purpose.

Mr. WALTON: No.

Mr. COOPER: You have the wages of the 15,000 employees.

Mr. JACKMAN: I have that as \$2,795 each. But if you have not got that information available, it is all right.

Mr. SHAW: With respect to crossing protection, Mr. Chairman, I notice a substantial increase in expense there. The thought that comes to my mind is that, with the greatly increased number of trains operating, and probably so many operating off schedule, it would appear—and I may be wrong in this—that there are more crossing accidents than heretofore. Have additional precautions been taken with respect to crossings during the last couple or three years?

Mr. VAUGHAN: Precautions are taken everywhere where we think there is any danger that might be attributable to the railway. I have no information as to the number of accidents. I thought we had less accidents last year than we had the year before. I think I saw a statement to that effect.

Mr. WALTON: Yes. There is a drop in the highway crossing accidents.

Mr. SHAW: It is only of the C. N. R. you are speaking?

Mr. VAUGHAN: Yes. I think people have got very careless in connection with approaching railway crossings. You would be surprised at the number of cases we have where a motor car has run right into the side of a train that is half way over a crossing.

Mr. SHAW: The liquor restrictions should help that.

The CHAIRMAN: I remember seeing a man killed out in the west one day. The train came through and blew the whistle. There was a long string of cars that ran down almost to the crossing, and he was running along the string of cars and went around the end of it in front of the engine. He was going fast. I do not know that anything could have been done there, except that the cars might have been left further back from the crossing.

Mr. SHAW: Would this increase of approximately \$80,000 merely be for replacing existing equipment at crossings, or signals?

Mr. VAUGHAN: Not altogether. I think there have been additional flashlights put in. Those are going from time to time here and there, some of them by order of the board and some by agreement with the municipalities.

Mr. WALTON: The item you are looking at is chiefly wage expense contributed to, in part, of course, by the cost-of-living bonus. But in this column that item is largely wages.

The CHAIRMAN: I might say that it occurred to me at that time, Mr. Walton, that if that crossing had been left a little more clear, it might have been better. You understand what I mean. Those idle cars were right up to the edge of the corner.

Mr. WALTON: I think you are right.

The CHAIRMAN: Page 19.

MISCELLANEOUS OPERATING EXPENSES

	1942	1941
Dining and Buffet Service	\$ 3,746,868 66	\$ 2,499,013 24
Restaurants	21,924 36	20,045 54
Grain Elevators	196,159 47	148,252 84
Other Miscellaneous Operations	37,900 12	39,480 64
	<hr/> \$ 4,002,852 61	<hr/> \$ 2,706,792 26

GENERAL EXPENSES

Salaries and Expenses of General Officers..	\$ 464,452 27	\$ 432,387 95
Salaries and Expenses of Clerks and Attendants	4,419,955 96	3,651,359 32
General Office Supplies and Expenses	263,866 64	225,828 74
Law Expenses	344,478 99	345,948 67
Relief Department Expenses	27,500 00	27,500 00
Pensions	4,859,896 18	4,731,910 67
Stationery and Printing	162,232 43	164,584 22
Valuation Expenses	12,251 56	11,310 38
Other Expenses	222,381 03	288,168 13
General Joint Facilities—Debit	36,946 59	38,996 02
General Joint Facilities—Credit	15,062 19	58,191 89
	<hr/> \$10,798,899 46	<hr/> \$ 9,859,802 21

Mr. NICHOLSON: Dealing with the item of general office supplies and expenses, last year it was reported in connection with your accounting system that some of the smaller accounting branches had closed and the accounting was being done in large centres like Winnipeg and Moncton. How far have you proceeded in those changes that were proposed?

Mr. VAUGHAN: Centralized accounting has been pretty well adopted all over the system. Mr. Cooper can give you the details of that.

Mr. COOPER: We have completed the centralization of accounting in Canada.

Mr. EMMERSON: It has just been completed, though, has it not?

Mr. COOPER: Yes; at Moncton it was only completed in February of this year.

Mr. NICHOLSON: How many employees have been left out of work as a result of this centralization?

Mr. COOPER: About 176 positions were saved.

Mr. EMMERSON: On the system?

Mr. COOPER: On the system, yes.

Mr. NICHOLSON: What has happened to the men who held those jobs? Have they found employment?

Mr. COOPER: Mostly they were employees with very short service, and they have either moved into other departments of the railway which were looking for clerical help or they have left the service and gone into other industry which certainly is in a condition to absorb all they can get.

Mr. NICHOLSON: Did those with ten years' seniority or more have any difficulty in finding employment?

Mr. COOPER: I do not think anybody with more than three or four years' service has been let out of the service.

Mr. JACKMAN: This might be an opportune place, under salaries and expenses of general officers, to ask how many meetings of the board of directors were held last year. Would you table the attendance records?

Mr. VAUGHAN: I could have that done if necessary. I can say in a general way that there is a meeting held at least once a month; and I can say that the record of attendance of our directors has been very, very good. But if you want the attendance records, we can give them to you.

Mr. JACKMAN: If you say it is very good, that is all right.

Mr. VAUGHAN: It is very rarely that one of our directors misses a meeting.

Mr. JACKMAN: That is good enough for this year, I think Mr. Vaughan.

Mr. VAUGHAN: All right.

The CHAIRMAN: Then we come to page 20, property investment account.

PROPERTY INVESTMENT ACCOUNT

Balance at 1st January, 1942 \$1,944,287,482 72
Expenditures, Year 1942:

Road:

Montreal Terminal Development, Chapter 12-1929 ..	\$ 1,823,248 09
Salvage from Line Abandonments, etc.....	201,878 33
Rails and Fastenings	282,374 19
Tie Plates and Rail Anchors.....	678,303 63
Ties—Cost of Treating.....	1,263,000 25
Ballast	212,627 16
Rip Rap, Retaining Walls and Cribwork	42,250 44
Ditching, Drainage and Sewers	36,438 47
Large Freight Terminals	27,222 65
Large Passenger Terminals	31,358 68
Yard Tracks and Sidings	494,925 38
Roadway Machines	139,758 75
Bridges, Trestles and Culverts.....	323,713 36
Crossing Protection including Subways.....	79,243 58
Stations and Station Facilities	279,110 12
Fuel Stations	90,558 68
Shops, Enginehouses and Machinery	166,920 18
Grain Elevators	326,880 66
Signals and Interlockers	847,647 08
Telegraphs—Railway	45,579 58
Telegraphs—Commercial	408,042 58
Assessments for Public Improvements	44,477 52
Land	594,780 49
General Additions and Betterments	132,314 82

Total \$ 5,991,735 35

Equipment:

Equipment Purchased or Built	\$18,662,312 37
Equipment Retired	979,740 50
General Betterments to Equipment.....	145,542 05
Equipment Conversions and Transfers.....	1,409,813 48
Express and Miscellaneous Equipment.....	75,147 78

Total \$16,493,448 22

Hotels \$ 63,943 06

Separately Operated Properties \$ 1,312,175 36

Net Additions and Betterments 21,109,065 15

Transfer of Canadian Government Railway Properties to
Government Departments

\$ 8,211 63

Line Abandonments, listed below

4,575,998 43

4,584,210 06

Balance at 31st December, 1942..... \$1,960,812,337 81

Mr. JACKMAN: I have a question with respect to the Montreal terminal development. Is this the end of the cost of the Montreal terminal or the end of the initial building cost, as you would call it?

Mr. VAUGHAN: Well, that is a problem, Mr. Jackman.

Mr. JACKMAN: Is it all built now?

Mr. EMMERSON: No. It is not in use.

Mr. VAUGHAN: We have a small estimate for the Montreal terminal for 1943 of \$370,000. We expect that will finish the terminal, according to our present plans. I should not like to say that in the future we might not do something more; but that finishes our program for the time being.

Mr. EMMERSON: When will it be in use?

Mr. VAUGHAN: I think it will be in use not later than the 1st of July.

Mr. JACKMAN: Has it been used for any purpose so far?

Mr. VAUGHAN: No. It is not finished yet.

Mr. JACKMAN: What will be the total cost by the time it is completed?

Mr. VAUGHAN: The capital expenditures prior to 1939 were \$16,651,346; and from 1939 to 1942 we have spent \$10,608,694, a total of \$27,260,000. When I said it was not in use, I was in error, because there are certain trains using it that go out through the tunnel to suburban points such as Cartierville, St. Eustache, St. Andrew's East, etc.

Mr. EMMERSON: They have been doing that for years.

Mr. VAUGHAN: Yes. They used the old station there, but they are now using the new station.

Mr. JACKMAN: What the government spent by way of unemployment relief assistance on the station would be in addition to the \$27,000,000, would it, Mr. Vaughan?

Mr. VAUGHAN: Yes.

The CHAIRMAN: Page 21.

Mr. JACKMAN: No, there is a question, Mr. Chairman.

Mr. VAUGHAN: The amount paid by the government to relieve unemployment was \$1,530,450, and it is not included in the total I gave you.

Mr. JACKMAN: Thank you.

The CHAIRMAN: Is there anything further with regard to page 20? If not, we shall proceed to page 21.

FUNDED DEBT—PRINCIPAL AND INTEREST

NAME OF SECURITY

GUARANTEED BY DOMINION OF CANADA:

NAME OF SECURITY	Issuing Company	Date of Issue	Date of Maturity	Principal Outstanding at Dec. 31, 1942	Interest Accrued 1942
5% Perpetual Debenture Stock.....	G.T.R.	1875 to 1883	Perpetual	\$ 1,692,183.00	\$ 203,027.07
5% G.W. Perp. Debr. Stock and Bonds.....	G.T.R.	1858 to 1876	Perpetual	1,127,996.00	156,872.29
4% Perpetual Debenture Stock.....	G.T.R.	1883 to 1918	Perpetual	7,827,288.73	302,886.97
4% Nor. Rly. Perpetual Debenture Stock.....	G.T.R.	July 31, 1884	Perpetual	49,980.67	11,569.07
4% Perpetual Guaranteed Stock.....	G.T.R.	1884 to 1909	Perpetual	480.67	548,676.13
3% 1st Mortgage Bonds.....	G.T.P.	July 1, 1905	Jan. 1, 1962	26,465,130.00	991,940.83
4% Sterling Bonds.....	G.T.P.	July 1, 1914	Jan. 1, 1962	7,999,074.00	333,639.80
3% 1st Mortgage Debenture Stock.....	Can. Nor.	July 29, 1903	July 10, 1953	1,340,946.72	88,462.20
3% 1st Mortgage Debenture Stock.....	Can. Nor.	Mar. 1, 1910	July 20, 1958	5,652,987.36	218,019.66
3% 1st Mortgage Debenture Stock.....	Can. Nor.	July 1, 1921	July 1, 1946	23,754,000.00	1,545,448.74
3% 1st Mortgage Debenture Stock.....	C.N.A.	Mar. 22, 1911	May 4, 1960	574,008.73	37,909.00
5% 30 Year Guaranteed Bonds.....	C.N.O.	Dec. 8, 1911	May 19, 1961	4,216,022.54	351,885.49
2% 1927 Guaranteed Debenture Stock.....	Can. Nat.	Feb. 1, 1924	Feb. 1, 1954	50,000,000.00	2,500,000.00
4% 30 Year Guaranteed Gold Bonds.....	Can. Nat.	July 1, 1926	By Drawings	380,831.26	108,660.18
5% 40 Year Guaranteed Gold Bonds.....	Can. Nat.	July 1, 1927	July 1, 1957	64,136,000.00	2,916,212.06
5% 40 Year Guaranteed Gold Bonds.....	Can. Nat.	July 1, 1929	July 1, 1969	56,704,000.00	2,863,674.30
5% 40 Year Guaranteed Gold Bonds.....	Can. Nat.	Oct. 1, 1929	Oct. 1, 1969	57,729,500.00	2,905,921.16
4% 25 Year Guaranteed Gold Bonds.....	Can. Nat.	Feb. 1, 1930	Feb. 1, 1970	17,338,000.00	872,569.84
4% 25 Year Guaranteed Gold Bonds.....	Can. Nat.	June 15, 1930	June 15, 1955	48,518,000.00	3,123,040.03
4% 25 Year Guaranteed Gold Bonds.....	Can. Nat.	Feb. 1, 1931	Feb. 1, 1956	67,368,000.00	2,229,596.79
3% 16 Year Guaranteed Bonds.....	Can. Nat.	Sept. 1, 1931	Sept. 1, 1951	48,022,000.00	615,000.00
3% 9 Year Guaranteed Bonds.....	Can. Nat.	Dec. 15, 1934	Dec. 15, 1950	20,500,000.00	1,050,000.00
2% 7 Year Guaranteed Bonds.....	Can. Nat.	May 1, 1935	May 1, 1944	35,000,000.00	1,100,000.00
3% 17 Year Guaranteed Bonds.....	Can. Nat.	Feb. 15, 1936	Feb. 15, 1943	55,000,000.00	750,000.00
2% 7 Year Guaranteed Bonds.....	Can. Nat.	Feb. 15, 1936	Feb. 15, 1953	25,000,000.00	348,750.00
3% 15 Year Guaranteed Bonds.....	Can. Nat.	Feb. 1, 1937	Feb. 1, 1944	15,500,000.00	600,000.00
3% 13 Year Guaranteed Bonds.....	Can. Nat.	Feb. 1, 1937	Feb. 1, 1952	20,000,000.00	900,000.00
2% 4 Year Guaranteed Bonds.....	Can. Nat.	Dec. 15, 1937	Dec. 15, 1950	30,000,000.00	16,666.67
2% 7 Year Guaranteed Bonds.....	Can. Nat.	Jan. 15, 1938	Jan. 15, 1942	15,000,000.00	337,500.00
3% 20 Year Guaranteed Bonds.....	Can. Nat.	Jan. 15, 1939	Jan. 15, 1946	35,000,000.00	1,050,000.00
3% 20 Year Guaranteed Bonds.....	Can. Nat.	Jan. 15, 1939	Jan. 15, 1959	35,000,000.00	1,050,000.00
Total Issues Guaranteed by Dominion of Canada.....				\$ 741,896,436.48	\$ 31,397,805.96

GUARANTEED BY PROVINCE OF NEW BRUNSWICK:

4% 1st Mortgage Debenture Stock.....	St. J. & Q.	May 14, 1912	June 1, 1962	\$ 658,918.93	\$ 39,707.25
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GUARANTEED BY PROVINCE OF ALBERTA:

4% 1st Mortgage Bonds.....	G.T.P.B.L.	May 1, 1912	Feb. 15, 1942		5,835.14
4% 1st Mtge. Debenture Stock.....	C.N.W.	Mar. 1914	Oct. 22, 1943	349,295.67	87,944.80
4% 1st Mtge. Debenture Bonds.....	C.N.W.	Mar. 1914	Oct. 22, 1943	1,384,000.00	
4% 1st Mtge. Debenture Stock and Bonds.....	C.N.W.	Feb. 1914	Feb. 16, 1942		36,900.85

GUARANTEED BY PROVINCE OF BRITISH COLUMBIA:

4% 1st Mortgage Debenture Stock.....	C.N.P.	Nov. 16, 1911	Apr. 2, 1950	1,121,649.86	171,930.80
4% Terminal Debenture Stock.....	C.N.P.	1913 and 1914	Apr. 2, 1950	1,204,957.47	148,554.91
Total Issues Guaranteed by Provincial Governments.....				\$ 4,718,821.93	\$ 490,873.75
Carried forward.....				\$ 746,615,258.41	\$ 31,888,679.71

Mr. JACKMAN: Are you thinking of calling any bonds this year that can reasonably be called? What is the general financial program with regard to the company?

Mr. VAUGHAN: We have no program; except to take up any maturities that may come due.

Mr. JACKMAN: And you have retired \$55,000,000 already?

Mr. COOPER: Yes.

Mr. JACKMAN: How did you do that?

Mr. COOPER: We borrowed \$55,000,000 from the government at $3\frac{1}{2}$ per cent.

Mr. JACKMAN: And you retired an issue of 2 per cent bonds with it; could you not get any short term notes?

Mr. VAUGHAN: We tried our best to get that rate down. The government, of course, did not want us to go out in competition with them to borrow money.

Mr. JACKMAN: This is probably the first time that your affiliation with the government has cost more to finance you than it would cost you as a private company, is it not?

Mr. COOPER: The additional interest was \$825,000 on that one item.

Mr. JACKMAN: Yes, it is quite substantial.

CC-3

FUNDED DEBT—PRINCIPAL AND INTEREST (Continued)

NAME OF SECURITY

	Issuing Company	Date of Issue	Date of Maturity	Principal Outstanding at Dec. 31, 1942	Interest Accrued 1942
Brought Forward.....				\$746,615,258.41	\$31,888,679.71
EQUIPMENT TRUST ISSUES:					
4 1/2% Series "I".....	Can. Nat.	May 1, 1927	Ser. 1, 5, '42	15,000.00	
5 5/8% " " "K".....	Can. Nat.	May 1, 1929	Ser. 1, 5, '44	140,000.00	
5 5/8% " " "G.T.W.".....	G.T.W.	Dec. 14, 1929	Ser. 14, 12, '44	559,000.00	41,431.80
5 5/8% " " "C.V.R.".....	G.T.W.	Dec. 14, 1929	Ser. 14, 12, '44	87,000.00	6,541.39
5 5/8% " " "C.V.R.".....	C.V.R.	Dec. 14, 1929	Ser. 14, 12, '44	150,000.00	11,226.67
4 1/2% " " "L".....	Can. Nat.	June 1, 1930	Ser. 1, 6, '45	3,150,000.00	161,437.50
2 1/2% " " "O".....	Can. Nat.	Aug. 1, 1937	Ser. 1, 8, '47	7,150,000.00	199,604.17
2 1/2% " " "P".....	Can. Nat.	Sept. 15, 1938	Ser. 15, 9, '53	5,600,000.00	163,739.58
2 1/2% " " "Q".....	Can. Nat.	July 1, 1939	Ser. 1, 7, '49	4,550,000.00	121,875.00
2 1/2% " " "G.T.W.".....	G.T.W.	June 1, 1941	Ser. 1, 6, '51	4,837,000.00	114,817.51
Total Equipment Trusts Issues.....				\$ 28,483,000.00	\$ 975,673.62

OTHER ISSUES:

4 7/8% Canada Atlantic 1st Mtge. Bonds.....	G.T.R.	Jan. 1, 1905	Jan. 1, 1955	\$ 9,974,178.00	\$ 442,125.26
6% Northern Railway 3rd Pref. Bonds.....	G.T.R.	1868	Perpetual	2,433.33	727.43
4 7/8% 1st Mortgage Bonds.....	Pem. Sou.	Sept. 1, 1906	Sept. 1, 1956	150,000.00	6,000.00
4 7/8% 2nd Mtge. Bonds, Prairie "A".....	G.T.P.	Apr. 1, 1905	Apr. 1, 1955	3,587,652.00	189,349.39
4 7/8% 2nd Mtge. Bonds, Mountain "B".....	G.T.P.	Apr. 1, 1905	Apr. 1, 1955	3,177,954.00	174,030.14
4 7/8% 1st Mtge. Bonds "Lake Superior".....	G.T.P.	Apr. 1, 1905	Apr. 1, 1955	2,157,840.00	123,384.54
4 7/8% Perpetual Cons. Debenture Stock.....	Can. Nor.	1903 to 1912	Perpetual	4,695,452.47	457,888.30
4 7/8% Perpetual Cons. Debenture Stock.....	C.N.O.	June 21, 1909	Perpetual	1,032,954.87	93,533.25
4 7/8% Perpetual Cons. Debenture Stock.....	C.N.Q.	Oct. 1, 1906	Perpetual	497,986.53	51,533.30
4 7/8% 1st Mtge. Perp. Debenture Stock.....	Q. & L. St. J.	June 1, 1912	Perpetual	332,232.73	42,904.03
4 7/8% 1st Mortgage Bonds.....	G.T.W.	Nov. 30, 1900	July 1, 1950	6,555,224.00	294,859.46
4 1/2% 1st Mortgage Series "A" Bonds.....	G.T.W.	Jan. 1, 1930	Jan. 1, 1980	400,000.00	18,000.00
4 1/2% Indebtedness of S.S. & C. Co.....	C.V.R.	Aug. 27, 1858	Optional	155,865.25	6,234.61
4 7/8% 1st Mortgage Gold Bonds.....	M. & P. L.	Oct. 1, 1900	Oct. 1, 1950	200,000.00	8,000.00
3 1/2% 1st Mortgage Guar. Debenture Bonds.....	H. & S. W.	Oct. 1, 1912	Sept. 30, 1942	116,733.75	
5% Indebtedness to Province of N.B.....	Can. Nat.	Sept. 3, 1929	Various	1,198,022.60	59,901.13
Total Other Issues.....				\$ 34,117,815.78	\$ 2,085,204.59

Total Debt held by Public (including therein \$13,442,142.05 par value held in Special Funds and Accounts) as per Balance Sheet..... \$ 809,216,074.19 \$34,949,557.92

These obligations are stated in Canadian currency, Sterling and United States currencies being converted at the par of exchange. This schedule does not include securities in the Railway treasury or those held by The Canadian National Railways Securities Trust, or by the Dominion Government as collateral.

DOMINION OF CANADA—LOANS
(Treated as Assets in Public Accounts of Canada)

	Principal Outstanding at Dec. 31, 1942	Accrued Interest 1942
3½% Advances, Financing and Guarantee Acts, 1939 to 1942.....	\$ 26,062,418.83	\$ 1,137,164.57
3½% Advances, Trans-Canada Air Lines Act, 1937.....	850,000.00	4,200.00
3½% Advances, Refunding Act, 1938.....	27,135,668.40	890,322.50
2½% Advances, Refunding Act, 1938.....	24,689,392.53	493,787.86
3½% Temporary Loan for Working Capital.....	13,906,999.71	470,947.03
3½% Advances, G.T.R. Debenture Stock (1940-1942).....	106,380,182.61	3,713,682.97
3½% Advances, Repatriation of Securities (1942).....	277,485,593.08	6,611,341.08
3% Purchase of Railway Equipment, 1936 (Repayable 1938-1950).....	4,137,384.66	128,646.81
3½% Purchase of Railway Equipment, 1940 (Repayable 1941-1955).....	12,895,588.14	461,618.58
3½% Purchase of Railway Equipment, 1941 (Repayable 1943-1957).....	9,313,232.92	103,979.95
Interest on Loans repaid in 1942.....		16,943.24
	<u>\$ 502,856,460.88</u>	<u>\$14,032,634.59</u>

Mr. GRAY: Why don't you wipe off these 4 per cent, 5 per cent, and 6 per cent, issues that you have instead of paying those high rates; is it because they are definitely perpetual?

Mr. VAUGHAN: Some of them are not perpetual, no.

Mr. COOPER: To the extent that they were capable of being repatriated, they have been repatriated.

Mr. DONNELLY: These perpetual issues have been repatriated?

Mr. COOPER: The ones you are looking at are the ones which have not been repatriated for the reason that they are owned by people who are not subject to the vesting order issued by the government of the United Kingdom.

Mr. GRAY: Is there any way in which we can pay them off?

Mr. JACKMAN: Not under the terms of your contract.

Mr. COOPER: I do not see how; unless the Canadian government passes some order more or less confiscating these securities.

Mr. VAUGHAN: It means that the Canadian government are respecting the foreign owners of these securities as to their rights.

Mr. GRAY: They are all owned outside of Canada?

Mr. VAUGHAN: I think so.

Mr. COOPER: Substantially; all of the debenture stock is sterling stock held in Europe.

Mr. GRAY: How about Great Britain?

Mr. COOPER: To the extent that it has been held in Great Britain it has been repatriated.

Mr. DONNELLY: These are private individuals who own this?

Mr. COOPER: Yes.

Mr. GRAY: I recommend very definitely that we cancel.

Mr. JACKMAN: You mean the perpetual debentures?

Mr. GRAY: Absolutely.

Mr. JACKMAN: My dear fellow the credit of this country would go right down to the bottom of the abyss, you could not possibly cancel them.

Mr. VAUGHAN: It is a matter of government policy as what is to be done in this connection.

Mr. JACKMAN: How could you cancel them?

Mr. GRAY: With all due deference to Mr. Jackman, I say again I would cancel these perpetual issues.

The CHAIRMAN: You mean, you would buy them out?

Mr. GRAY: Oh yes, buy them out.

Mr. JACKMAN: You would give them something for them?

Mr. GRAY: Yes.

Mr. JACKMAN: Even that is a breach of the contract.

The CHAIRMAN: Perhaps if they would give them a little bit of a bonus, they would be willing to sell.

Mr. GRAY: Go on down the list—5 per cent, 5 per cent, 4 per cent,

Mr. JACKMAN: They had no alternative investment to make at that time.

Mr. McCULLOCH: There is one issue there of 6½ per cent due in 1946; would that not be bought up by paying the premium?

Mr. COOPER: It is not callable under the terms of the issue.

Mr. VAUGHAN: You would need to pay a big premium to get in these 5 per cent bonds. It would probably be cheaper to let them expire.

Mr. DONNELLY: As to these gold bonds, do you have to pay in gold?

Mr. COOPER: No, sir.

Mr. NICHOLSON: Going back to this issue of \$28,000,000 where would these bonds be held?

Mr. COOPER: I think they are held very substantially in the United States.

Mr. JACKMAN: I think it should be pointed out that if the railway company wanted to buy these bonds the holders might be willing to dispose of them if they get a fair market rate as compared with the 3½ per cent offerings available; that is, if the they were comparable in value to what is now offering in the market; such as government bonds.

Mr. VAUGHAN: Our treasury department have these matters up constantly with the Department of Finance, almost every week.

Mr. JACKMAN: It must be understood that when these were purchased no alternative investments with comparable returns were generally available and these particular ones were chosen because they were suitable for the investment portfolio. You cannot discriminate between different classes of securities. A person might have bought something else at that time.

Mr. SHAW: Were perpetuals generally available at that time?

Mr. JACKMAN: Oh, yes.

Mr. GRAY: I am not content, Mr. Chairman; what are you doing, Mr. Vaughan, about trying to cancel or buy up?

Mr. VAUGHAN: I think we have gone quite a way, Mr. Gray. We are trying to buy in everything we can. We bought in in the last three years \$400,000,000 of these; and our financial department have up, as I said, almost every week with the Department of Finance ways and means of dealing with all these securities and getting rid of all the high yielding securities as promptly as possible. I cannot say at the moment just the stage in which these various matters are; but I do know this that the matter is up constantly between our financial department and the Department of Finance.

Mr. GRAY: Well then, that is satisfactory if you are watching it every minute.

Mr. VAUGHAN: We are watching it.

The CHAIRMAN: We now turn to page 23 dealing with investments in affiliated companies and major contingent liabilities:—

INVESTMENTS IN AFFILIATED COMPANIES

Company	Amount Outstanding	Amount Owned by Can. Nat. System	Book Value
<i>Stocks:—</i>			
Atlantic and St. Lawrence Railroad Company	\$ 5,480,700 00	\$ 46,384 33	\$ 33,172 44
The Belt Railway Company of Chicago.....	3,120,000 00	240,000 00	240,000 00
Canadian Government Merchant Marine, Limited	800 00	800 00	800 00
Central Vermont Transportation Company..	200,000 00	50,000 00	20,000 00
Chicago & Western Indiana Railroad Com- pany	5,000,000 00	1,000,000 00	1,000,000 00
The Detroit & Toledo Shore Line Railroad Company	3,000,000 00	1,500,000 00	1,767,000 00
Detroit Terminal Railroad Company.....	2,000,000 00	1,000,000 00	1,000,000 00
Northern Alberta Railways Company.....	625,000 00	312,500 00	312,500 00
The Ontario Car Ferry Company (Limited)..	500,000 00	250,000 00	179,007 53
The Public Markets, Limited.....	1,150,000 00	575,000 00	575,000 00
Railway Express Agency, Incorporated (no par value)	1,000 shares	6 shares	600 00
The Toronto Terminals Railway Company...	500,000 00	250,000 00	250,000 00
The Toledo Terminal Railroad Company....	4,000,000 00	387,200 00	387,200 00
Trans-Canada Air Lines.....	4,600,000 00	4,600,000 00	4,600,000 00
Vancouver Hotel Company Limited	150,000 00	75,000 00	75,000 00
			<u>\$ 10,440,279 97</u>

INVESTMENTS IN AFFILIATED COMPANIES—*Conte**Bonds:—*

Atlantic and St. Lawrence Railroad Company	\$ 3,000,000 00	\$ 3,000,000 00	\$ 3,012,040 00
Northern Alberta Railways Co. 1st Mortgage Bonds	26,730,000 00	13,365,000 00.	13,365,000 00
The Toronto Terminals Railway Co. 1st Mortgage Bonds	25,610,000 00	12,805,000 00	12,805,000 00
			<u>\$ 29,182,040 00</u>

Advances:—

Chicago & Western Indiana Railroad Company.....	\$ 1,873,881 59
The Railroad Credit Corporation.....	139,406 20
Railway Express Agency, Incorporated.....	116,636 42
Northern Alberta Railways Company.....	250,000 00
Vancouver Hotel Company Limited.....	18,858 39
	<u>\$ 2,398,782 60</u>
	<u>\$ 42,021,102 57</u>

Mr. JACKMAN: On these other shares, those that are not guaranteed—the bonds on parts of the lines which you use—you have never had to assume any guarantee, or to guarantee them—the lines that are represented by these bonds; is that the picture of this?

Mr. COOPER: That means that they are not guaranteed by the dominion, or by any of the provinces.

Mr. JACKMAN: But you are using the property on which these are a mortgage?

Mr. VAUGHAN: Some of them are just as good as guaranteed, because they form a very important part of our railways.

Mr. JACKMAN: I will not ask you to pick those out, Mr. Vaughan.

The CHAIRMAN: Is there any further discussion on page 23? If not we will turn to page 24:

COMPANIES COMPRISING THE CANADIAN NATIONAL RAILWAY SYSTEM
CAPITAL STOCKS OWNED BY DOMINION OF CANADA

Co. No.		
1	Canadian National Railway Company.....	\$ 18,000,000 00
2	The Canadian National Railways Securities Trust.....	298,842,882 17
		<u>\$316,842,882 17</u>

CAPITAL STOCKS OWNED BY SYSTEM OR PUBLIC

	Name of Issuing Company	Owned by Co. No.	Capital Stock Issued	Owned by Public
3	The Bay of Quinté Railway Company.....	23	\$ 1,395,000 00	\$
4	The Bessemer and Barry's Bay Railway Co.....	23	125,000 00	
5	*Brooksby Realty Company	29	2,000 00	
6	*Canada Atlantic Transit Company.....	1	219,000 00	
7	*Canada Atlantic Transit Company of U.S.....	1	250,000 00	
8	The Canadian Express Company	1	1,768,800 00	
9	*Canadian National Electric Railways.....	23	1,750,000 00	
10	Canadian National Express Company.....	24	1,000,000 00	
11	Canadian National Land Settlement Association.....	1	—	
12	*Canadian National Railways (France).....	1	2,007,400 00	
13	*Canadian National Realities, Limited.....	23	40,000 00	
14	Canadian National Rolling Stock Limited.....	1	50,000 00	
15	*Canadian National Steamship Company, Limited....	49	15,000 00	
16	Canadian National Telegraph Company	23	500,000 00	
17	*Canadian National Transportation, Limited.....	1	500 00	
18	The Canadian Northern Alberta Railway Company	23	3,000,000 00	
19	Canadian Northern Manitoba Railway Company....	23	250,000 00	
20	The Canadian Northern Ontario Railway Company..	23	10,000,000 00	
21	Canadian Northern Pacific Railway Company.....	23	25,000,000 00	
22	The Canadian Northern Quebec Railway Company..	23	9,550,000 00	3,849,200 00

COMPANIES COMPRISING THE CANADIAN NATIONAL RAILWAY SYSTEM—*Cont.*

	Name of Issuing Company	Owned by Co. No.	Capital Stock Issued	Owned by Public
23	The Canadian Northern Railway Company.....	1	18,000,000 00	
24	The Canadian Northern Railway Express Co., Ltd...	23	1,000,000 00	
25	Canadian Northern Steamships, Limited.....	23	2,000,000 00	
26	Canadian Northern System Terminals (Limited)....	23	2,000,000 00	
27	Canadian Northern Western Railway Company.....	23	2,000,000 00	
28	Cannar Oils Limited.....	1	100 00	
29	*The Centmont Corporation	32	176,400 00	
30	The Central Ontario Railway.....	23	3,331,000 00	
31	Central Vermont Airways, Inc.....	29	5,000 00	
32	Central Vermont Railway, Inc.....	1	10,000,000 00	
33	Central Vermont Terminal, Inc.....	32	5,000 00	
34	*Central Vermont Transit Corporation.....	29	5,000 00	
35	*Central Vermont Warehouse, Inc.....	29	5,000 00	
36	The Champlain and St. Lawrence Railroad Co.....	1	50,000 00	
37	Cincinnati, Saginaw and Mackinaw Rail Road Co....	1	1,500,000 00	
38	*Consolidated Land Corporation.....	52	64,000 00	
39	*Continental Realty & Holding Company.....	13	90,000 00	
40	*The Dalhousie Navigation Company, Limited.....	23	50,000 00	
41	*Duluth and Virginia Realty Company.....	39	45,000 00	
42	Duluth, Rainy Lake & Winnipeg Railway Company.	44	2,000,000 00	
43	Duluth, Winnipeg and Pacific Railroad Company...	44	100,000 00	
44	Duluth, Winnipeg and Pacific Railway Company....	23	3,100,000 00	
45	*Grand Trunk-Milwaukee Car Ferry Company.....	52	200,000 00	
46	The Grand Trunk Pacific Branch Lines Company...	49	200,000 00	
47	*The Grand Trunk Pacific Development Company, Ltd.	49	3,000,000 00	
48	*Grand Trunk Pacific Dock Company, of Seattle.....	49	150,000 00	
49	The Grand Trunk Pacific Railway Company.....	1	24,940,200 00	
50	The Grand Trunk Pacific Saskatchewan Railway Co.	49	20,000 00	
51	*Grand Trunk Pacific Terminal Elevator Co. (Ltd.)..	49	501,000 00	
52	{Grand Trunk Western Railroad Co. (Common)}....	1	20,000,000 00	
52	{Grand Trunk Western Railroad Co. (Preferred)}....	1	25,000,000 00	
53	The Great North Western Telegraph Company of Canada (including \$331,500.00 held in escrow)....	16	373,625 00	6,925 00
54	The Halifax and South Western Railway Company..	23	1,000,000 00	
55	*Industrial Land Company	52	1,000 00	
56	International Bridge Company	1	1,500,000 00	
57	The Irondale, Bancroft and Ottawa Railway Co.....	23	53,500 00	500 00
58	The James Bay and Eastern Railway Company.....	23	125,000 00	
Carried Forward			\$179,513,525 00	\$3,856,625 00

Mr. JACKMAN: In connection with the Central Vermont railway I see you have a book value of \$10,000,000 in these stocks. How much income do you get from them? I suppose all the stocks represent ownership of companies which are an integral part of your whole system.

Mr. COOPER: I can tell you that. On the Atlantic and St. Lawrence shares the dividends we received last year were at the rate of 3.6 per cent. On the Belt Railway Company of Chicago stock we received a dividend of 18 per cent. The Canadian Government Merchant Marine, of course, is just for purposes of control. From the Central Vermont Transportation Company we received a dividend of 2.4 per cent. On the Chicago & Western Indiana Railroad stock we received a dividend of 6 per cent. On the Detroit & Toledo Shore Line Railroad stock we received a dividend of 16 per cent. With respect to the Detroit Terminal Railroad we received a dividend of 4 per cent. With respect to the Northern Alberta Railways—while we didn't receive a dividend on the stock we did receive our share of the operating income of that railway, our share being \$687,000. On the Ontario Car Ferry Company we did not receive a dividend, but the Company made a profit in 1942 of \$18,888.00. On the Public Markets Limited, Winnipeg, we received a dividend of 4 per cent. The Railway Express Agency—we did not receive a dividend on that—the amount is only \$600. The Toronto Terminals Railway Company—we did not receive a dividend on that stock because if we had we would have had to pay it ourselves; we are both part owners and part users. On the Toledo Terminal

Railway Company stock we received a dividend of 2·5 per cent. On the Trans-Canada Air Lines shares we had a return of 5 per cent. On the Vancouver Hotel Company we received our share of the rent which was \$107,000. Atlantic and St. Lawrence bonds, they are 6 per cent bonds, we received the interest but we also paid it because we are the lessee of the railway; Northern Alberta Railways bonds are 5 per cent bonds; interest was earned and paid; Toronto Terminal Railway bonds are 5 per cent bonds, interest was earned and paid; so that as a group of security investments I think the returns in 1942 were very satisfactory.

Mr. JACKMAN: We just heard in the house this afternoon that Trans-Canada Air Lines may be expected to increase somewhat in size. What is the procedure in the way of increasing your investment in the Trans-Canada Air Lines? Does the application of Trans-Canada come before your board of directors and do you decide whether or not to subscribe to more stock?

Mr. VAUGHAN: That is what happens, Mr. Jackman.

Mr. JACKMAN: Do you really decide as a board of directors whether or not you want to advance or invest more money in the Trans-Canada Air Lines? Are you their agents or are you first of all told what the government policy is and you have to find the money and in turn if you need any money you go back to the government?

Mr. VAUGHAN: No, we are free agents. Trans-Canada Air Lines make the application and the money is advanced to them and the stock is given in exchange.

Mr. JACKMAN: You are already at times drawing on the dominion government for working capital and in so far as this program is concerned are you anything more than a sieve without independent judgment in regard to whether or not you will advance capital?

Mr. COOPER: Trans-Canada financing is governed by an Act of parliament, the Trans-Canada Act, which authorized a capital stock issue of \$5 million and provided that the stock should be owned by the Canadian National Railway Company.

Mr. JACKMAN: You subscribed to it, to the whole issue?

Mr. COOPER: Not at once; the stock is only being subscribed and paid for as required by Trans-Canada.

Mr. JACKMAN: You have not an open subscription?

Mr. COOPER: No; I think at the end of 1942 there was \$400,000 or \$450,000 which had not been called. We expect—that is, Trans-Canada expects—to use that money in 1943 and to that extent the Canadian National will, if approved by the board of directors, subscribe to that amount. Beyond the \$5 million there is no statutory authority.

Mr. JACKMAN: Would it be a fair assumption to say that the reason Trans-Canada became associated with the Canadian National system or was put under it was that Trans-Canada was a form of transportation?

Mr. VAUGHAN: I think that is a correct statement. The other railway had the opportunity at the same time to come into the Trans-Canada picture, but I understand they did not want to do so.

Mr. JACKMAN: Was that opportunity of equal partnership with the Canadian National in ownership?

Mr. VAUGHAN: I think it was but I have no positive information on the point.

Mr. JACKMAN: That was about 1930 what?

Mr. VAUGHAN: 1937, I think.

Mr. JACKMAN: Should the T.C.A. extend so that it has a European business—you as the Canadian National Railways never had any steamships plying the Atlantic except the "Lady" boats and other ships down to the West Indies.

Mr. VAUGHAN: We have had boats plying the Atlantic all during the war, in fact, we had five trips to the far east last year.

Mr. JACKMAN: I am talking of regular commercial groups of steamship lines either to the old country or France, so that you are not equipped to service air lines as far as office service is concerned. You have no ticket offices over there to the same extent as your competitor.

Mr. VAUGHAN: We have substantial offices in the old country, in London, Southampton, Glasgow, Cardiff and Manchester and various other places.

Mr. JACKMAN: Selling railway tickets?

Mr. VAUGHAN: Selling railway tickets and gathering up freight for the railway. We have fine offices in all these places.

Mr. JACKMAN: Such as the public patronize, not just commercial people?

Mr. VAUGHAN: Yes, just the same offices as our competitors have and these offices take the same class of business.

Mr. JACKMAN: Where is your London office?

Mr. VAUGHAN: On Cockspur street, a very fine office there.

Mr. DONNELLY: I should like to refer to the Toronto Terminals Railway Company's first mortgage bonds. Is that \$25,610,000 the total cost of the Toronto Terminals?

Mr. VAUGHAN: I do not think so, but Mr. Cooper can answer that question.

Mr. COOPER: It would be approximately one-half; the Canadian Pacific has a similar investment to ours.

Mr. EMMERSON: That would make a cost of roughly about \$50 million?

Mr. COOPER: Yes, that is it.

The CHAIRMAN: Page 24.

Mr. JACKMAN: May I ask one more question about these offices you have in Britain and Europe? Are they chiefly for the purpose of obtaining freight or do you get any substantial amount of passenger business out of it?

Mr. VAUGHAN: We sell tickets via various ship lines. We have very close working connections with nearly all steamship lines. Our offices there sell through tickets in connection with steamship companies and in connection with the railway. For instance, our office would sell a ticket, say, from Manchester or London to Vancouver, or say from London to the orient via Vancouver.

Mr. COOPER: I should like to correct my answer on the Toronto Terminals. The cost to the Toronto Terminals Railway Company would be approximately \$25 million, not \$50 million.

Mr. JACKMAN: The amount of passenger business you get from your offices abroad would not in itself justify the keeping of those offices there if it were not for the very considerable item of freight that you have built up?

Mr. VAUGHAN: There is a substantial amount of freight booked. These offices carry themselves.

Mr. JACKMAN: Would their business not be 95 per cent freight?

Mr. VAUGHAN: I could not say offhand how the freight and passenger would be divided; I would think freight would be the greater proportion of it.

Mr. JACKMAN: Am I very far off if I say 95 per cent?

Mr. VAUGHAN: I think that is too high; it would not be 95 per cent anyway.

Mr. HANSON (*Skeena*): The important thing is they are self-sustaining.

Mr. JACKMAN: That depends on how much imagination you have.

The CHAIRMAN: Page 23:

MAJOR CONTINGENT LIABILITIES

Trans-Canada Air Lines:

The Canadian National Railway Company owns \$5,000,000 of the Capital Stock of the Air Lines on which total call to 31st. December, 1942, has been \$4,600,000.

Northern Alberta Railways Company:

The Canadian National Railway Company owns \$3,125,000 of the Capital Stock of the Railways Company on which total call to date has been 10%.

Under agreement of purchase dated 6th February, 1929, Canadian National Railway Company became liable for one-half of the purchase consideration for the property. This obligation was later assumed by Northern Alberta Railways Company which took title to the property. As of 31st December, 1942, the commitment of the Canadian National Railway Company was \$1,210,000. The Canadian National Railway Company takes up currently in its income account one-half of the annual surplus or deficit of Northern Alberta Railways Company.

The Detroit and Toledo Shore Line Railroad Company:

Assumed by Grand Trunk Western Railroad Company as joint and several guarantor by indorsement of principal and interest of \$3,000,000 First Mortgage 4%—50 Year Gold Bonds due 1953.

The Toledo Terminal Railroad Company:

Assumed by Grand Trunk Western Railroad Company in respect of \$5,800,000 First Mortgage 4½%—50 Year Gold Bonds due 1957. The guarantee is as to interest only and is several and not joint. Grand Trunk Western's proportion is 9.68%.

Chicago and Western Indiana Railroad Company:

Assumed by Grand Trunk Western Railroad Company, pursuant to joint supplement lease dated 1st July, 1902, between Grand Trunk Western Railway Company and four other proprietary companies. Obligation is for repayment of principal of bonds at their maturity, and of interest as it falls due by way of annual rentals. The Grand Trunk Western's obligation is for one-fifth of the bonds issued for "common" property and the entire amount of bonds issued for its "exclusive" property. The bonds are Consolidated Mortgage 50 Year 4% bonds due 1952 and the amounts outstanding at 31st December, 1942, are:—

Issued for "common" property.....	\$39,973,019 39
Issued for "exclusive" property.....	252,535 36

Assumed by Grand Trunk Western Railroad Company pursuant to joint supplemental lease dated 1st March, 1936, between Grand Trunk Western Railroad Company and other proprietary companies. Obligation is to pay as rental sinking fund payments sufficient to retire bonds at maturity and interest as it falls due. The Grand Trunk Western's proportion is one-fifth in the absence of default of any of four other tenant companies. The bonds are First and Refunding Mortgage 4½% Series "D" Sinking Fund Bonds due 1962 and the amount outstanding at 31st December, 1942, is \$19,776,000.

C.N.R. Pension Plans:

Reserves are not set up against pensions presently being paid or conditionally accruing under the 1935 contractual plan and prior non-contractual plans. Actual pension payments made at the expense of the Railway are charged currently to operating expenses.

Pension contracts in force under the 1935 contractual plan number 4,905, the average annual pension is \$489, the total annual pensions being \$2,396,755 representing a capital sum of approximately \$20,000,000. The portion of this sum contributed by retired employees is carried in the accounts as a deferred liability against which funds have been separately invested.

Mr. JACKMAN: May I ask a question based on the following paragraph on page 23:

Reserves are not set up against pensions presently being paid or conditionally accruing under the 1935 contractual plan and prior non-contractual plans. Actual pension payments made at the expense of the railway are charged currently to operating expenses.

The thought just occurred to me when I read that that just as the population of Canada now has a larger percentage in the older bracket because there was a period here when we were developing and brought in great crowds of immigrants so that for a while our average age level in this country was quite young and today it is getting much older; so I was just wondering with regard to the railways, whether you perhaps have the same thing to contend with. When you were growing you took in young men twenty and twenty-five years old who had a long useful life ahead of them. Now the railways have become settled and to-day you have a much larger proportion of older men than you had twenty-five years ago. Twenty-five years ago would be a fair time? Therefore, your pension bill must be getting heavier each year?

Mr. VAUGHAN: We have figured that our maximum would be reached some time in the future, years hence.

Mr. JACKMAN: You have had actuaries work on the age limit of your employees and actually ascertain the ages?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: And as a result your experience is that you know within reasonable bounds what your pension bill will be, and I take it you expect it to be larger for some years?

Mr. VAUGHAN: It will be larger; As an indication of the way it has gone up, in 1941 the amount was \$4,901,000; in 1942 it was \$5,021,039, about \$120,000 more in 1942 than in 1941.

Mr. JACKMAN: That is a payment charged to operating?

Mr. VAUGHAN: Yes; and it is gradually going up. For instance, in 1938 it was \$4,400,000; in 1939 it was \$4,600,000. I have the figures on my desk; I do not recall what they were.

Mr. JACKMAN: After a few years you expect the curve line out?

Mr. VAUGHAN: Yes. I went into that not very long ago with a view to satisfying myself as to what amount we were going to have to pay for pensions in the next few years.

The CHAIRMAN: Is there any discussion on page 25, "Companies Comprising the Canadian National Railway system"? If not we will pass that.

(Carried)

The CHAIRMAN: Let us go to page 26, the statement of railway equipment. Is there any discussion?

Mr. NICHOLSON: With respect to coach cars, I see the additions were ninety-nine. Where did you get them?

Mr. VAUGHAN: I do not think we can expect to get any more passenger equipment. We have been told we will be unable to get any more passenger equipment during the war.

Mr. NICHOLSON: Where did you get those ninety-nine?

Mr. VAUGHAN: We were fortunate in being able to purchase a large number of second-hand steel cars from the Pullman company. Those cars were purchased at a very low price and were remodelled to suit our purposes.

(Carried)

The CHAIRMAN: Page 27, "Statistics of Rail-Line Operation, Transportation Service". Is there any discussion?

(Carried)

The CHAIRMAN: Page 28: "Statistics of Rail-Line Operation".

"Employees and their Compensation".

"Distribution of the Dollar".

(Carried)

The CHAIRMAN: Page 29. Any discussion? "Operated Mileage"?

Mr. NICHOLSON: Have you a break-down showing which sections are the most profitable?

Mr. VAUGHAN: The central region is, undoubtedly, the most profitable we have; the western region comes next. The central region serves a very highly industrialized territory. It is very difficult to apportion earnings and expenses between regions because they carry over from one region to the other, and a great deal of the traffic is continuous traffic.

Mr. NICHOLSON: Where are the most unprofitable lines?

Mr. VAUGHAN: As I said before, we have a number of unprofitable lines in the maritime provinces—the St. John valley line and the Gaspé line, for instance. In fact, in every province we have unprofitable lines. In the central region we have a large territory in northern Quebec and Northern Ontario upon which there is very little travel. In the west we have a number of lines that are not profitable; some of them are doing better now. Take the line from Redpath junction to Prince Rupert, 700 odd miles. Before the war we lost a very substantial sum of money in the operation of that line with just a skeleton service. It is doing better now. There are substantial quantities of material moving on that line via Prince Rupert to Alaska, but when that traffic disappears that will not be a profitable line. Our colonization departments, before the war, were putting in some very good settlers in that country, Dutch settlers and Swiss settlers, and they have done very well.

The CHAIRMAN: Page 29. Shall that carry?

(Carried)

The CHAIRMAN: Will somebody move the adoption of the report?

Mr. DONNELLY: I move the adoption of the report.

Mr. McCULLOCH: I second the motion.

Mr. JACKMAN: Before you pass that, have you both a research and development department and also an investigation department similar in function?

Mr. VAUGHAN: No, these are entirely different departments. Our research and development department is a department that such as the name signifies; our investigation department is our police department, you might say.

Mr. JACKMAN: The research department endeavours to locate factories does it?

Mr. VAUGHAN: Yes, that is a branch. The industrial department is a branch of the research and development department.

Mr. JACKMAN: Do you issue a publication from that department? Your competitor used to. I do not know whether they do it now. There used to be a pamphlet or magazine of about ten or fifteen pages issued from time to time, but I am thinking of about twenty years back. I do not recall whether they do it now or not. Do you issue anything like that to industrialists?

Mr. VAUGHAN: No, sir, we do not. We do not issue anything of that kind at all. I do not think either company is giving any more information to the other company than it has to these days.

The CHAIRMAN: If it meets with the approval of the committee we will proceed with the Canadian National Railways budget for the year 1943 and I will ask Mr. Vaughan to read it.

Mr. VAUGHAN: Operating budget, cash surplus: 1942 budget, \$5,000,000; 1942 actual, \$25,063,268; 1943 budget, \$25,000,000.

Mr. JACKMAN: That is because you cannot spend the money; you cannot get the stuff?

Mr. VAUGHAN: That is the principal reason why the money has not been spent.

CANADIAN NATIONAL RAILWAYS

SUMMARY OF FINANCIAL REQUIREMENTS
for the year 1942 compared with amounts budgeted, also proposed Budget for the year 1943

	Page No.	1942 Budget	1942 Actual	1943 Budget
<i>Operating Budget—</i>				
Cash Surplus.....	2	\$5,000,000	25,063,268	25,000,000
<i>Capital Budget—</i>				
Additions and Betterments.....	3	17,362,000	7,031,193	12,200,000
Acquisition of Securities.....	3	3,403,000	3,258,546	1,294,300
Retirement of Maturing Capital Obligations, including Sinking Fund and Equipment Principal Payments	4	9,795,000	9,490,775	9,552,000
Less—available from Reserves for Depreciation and Debt Discount Amortization.....		8,200,000	14,025,600	17,000,000
		\$22,360,000	5,754,914	6,046,300
New Equipment—Hire-purchase agreement with Dominion Government.....	5	47,418,000	9,313,233	43,916,394
“ “ —Grand Trunk Western 1941 Equipment Trust.....			4,764,639	
Total Capital Budget.....		\$69,778,000	19,832,786	49,962,694
<i>Statutory Authorization—</i>				
Trans-Canada Air Lines Capital Stock.....		\$ 1,250,000	850,000	400,000

CANADIAN NATIONAL RAILWAYS

COMPARATIVE STATEMENT OF NET INCOME RESULTS FOR YEARS 1942-1943

	1942 Budget	1942 Actual	1943 Budget
<i>Net Income Results—</i>			
Operating Revenues, excluding 20% Contribution, M.F.R. Act.....	\$348,090,000	\$371,028,587	\$395,025,000
Contribution from Government under Maritime Freight Rates Act (20%).....	3,510,000	4,034,861	4,500,000
Government Share of Operating Account, P.E.I. Car Ferry and Terminals.....	400,000	591,095	475,000
Total Railway Operating Revenues.....	\$352,000,000	\$375,654,543	\$400,000,000
Railway Operating Expenses.....	281,000,000	288,998,675	311,500,000
Net Revenue from Railway Operation.....	\$71,000,000	\$86,655,868	\$88,500,000
Operating Ratio.....	79·83%	76·93%	77·88%
Other Income and Profit and Loss Accounts.....	14,108,000	\$12,610,407	\$12,932,000
Net Available for Interest.....	\$56,892,000	\$74,045,461	\$75,568,000
<i>Interest Charges—</i>			
Interest due Public on Long Term Debt.....	\$43,855,000	\$34,949,558	\$31,268,000
Interest on Dominion Government Loans for Capital and Refunding.....	8,037,000	14,032,635	19,300,000
Total Interest Charges.....	\$51,892,000	\$48,982,193	\$50,568,000
Cash Surplus.....	\$5,000,000	\$25,063,268	\$25,000,000

NOTE: The 1943 Budget includes \$1,674,500 for Contribution to Deficit of I.C.R. & P.E.I. Provident Fund and \$100,000 for Contribution to Grand Trunk Railway of Canada Superannuation and Provident Fund Association.

CANADIAN NATIONAL RAILWAYS

COMPARATIVE STATEMENT OF CAPITAL EXPENDITURES
YEARS 1942-1943

	1942 Budget	1942 Actual	1943 Budget
<i>Additions and Betterments—</i>			
Atlantic Region.....	\$1,605,887	\$1,048,228	\$1,369,263
Central Region.....	4,716,179	173,388	5,050,567
Western Region.....	2,509,062	1,262,756	2,548,526
Grand Trunk Western Railroad Company.....	812,924	Cr. 553,404	363,279
Central Vermont Railway, Inc.....	110,867	Cr. 8,050	124,909
Hotels.....	83,652	Cr. 63,943	
Montreal Terminal Construction.....	1,900,000	1,823,248	363,568
P.E.I Car Ferry and Terminals.....	160,500	110,174	35,700
Subsidiary Companies.....	75,410	Cr. 1,312,175	146,814
General, including Additions and Betterments to equip- ment.....	4,235,519	946,270	2,715,268
	\$16,210,000	\$3,426,492	\$12,717,894
Equipment Purchases.....	3,208,000	4,584,441	425,968
Equipment Retirements.....	Cr. 2,056,000	Cr. 979,740	Cr. 943,862
Total Additions and Betterments less Retirements..	\$17,362,000	\$7,031,193	\$12,200,000
<i>Acquisition of Securities—</i>			
<i>Toronto Terminals Railway—</i>			
Joint with Canadian Pacific Railway Co. general Additions and Betterments—C.N.R. proportion 50%.....	\$ 100,000		\$ 100,000
<i>Northern Alberta Railways—</i>			
Joint with Canadian Pacific Railway Co. general Additions and Betterments—C.N.R. proportion 50%.....	200,000		1,050,000
Debt redemption—C.N.R. proportion 50%.....	3,215,000	3,215,000	
<i>Chicago and Western Indiana Railroad—</i>			
Advances under agreement of March 1/36.....	138,000	139,542	144,300
<i>Detroit & Toledo Shore Line Railroad—</i>			
Reduction in ledger value of Capital Stock, by appli- cation of amounts of special dividends received.	Cr. 250,000	Cr. 120,000	
<i>Atlantic and St. Lawrence Railroad—</i>			
Purchase of Capital Stock.....		24,004	
	\$3,403,000	\$3,258,564	\$1,294,300

CANADIAN NATIONAL RAILWAYS

COMPARATIVE STATEMENT OF MATURING OBLIGATIONS, SINKING FUND AND
EQUIPMENT PRINCIPAL PAYMENTS—YEARS 1942-1943

	1942 Budget	1942 Actual	1943 Budget
	\$	\$	\$
<i>Retirement of Maturing Capital Obligations—</i>			
7% Wellington, Grey & Bruce Rly. Bonds.....	13,627	5,840	
Indebtedness to State of Michigan re Wider Woodward Avenue, Detroit.....	430,000	429,414	430,000
	443,627	435,254	430,000
<i>Sinking Fund Payments—</i>			
2% Canadian National Rys. Guar. Deb. Stock (1927).....	1,008,210	712,100	397,792
4% St. John & Quebec Rly. 1st Mtge. Deb. Stock.....	27,280	27,280	6,735
	1,035,490	739,380	404,527
<i>Equipment Principal Payments—</i>			
4½% Can. National Rly. Equip. Trust Series "J".....	1,000,000	1,000,000	
5 % Can. National Rly. Equip. Trust Series "K".....	1,200,000	1,200,000	1,200,000
4½% Can. National Rly. Equip. Trust Series "L".....	1,050,000	1,050,000	1,050,000
2½% Can. National Rly. Equip. Trust Series "O".....	1,430,000	1,430,000	1,430,000
2¼% Can. National Rly. Equip. Trust Series "P".....	500,000	500,000	500,000
2½% Can. National Rly. Equip. Trust Series "Q".....	650,000	650,000	650,000
3 % Purchase of Rly. Equip. 1936 (Dom. Gov't).....	517,173	517,173	517,173
3½% Purchase of Rly. Equip. 1940 (Dom. Gov't).....	991,968	991,968	991,968
3½% Purchase of Rly. Equip. 1941 (Dom. Gov't).....			1,401,141
5 % Cent. Vermont Rly. Inc., Equip. Trust 1929.....	124,000	124,000	124,000
5 % Grand Trunk Western R.R. Equip. Trust 1929.....	283,000	283,000	283,000
2½% Grand Trunk Western R.R. Equip. Trust 1941.....	570,000	570,000	570,000
	8,316,141	8,316,141	8,717,282
	9,795,000	9,490,775	9,552,000

NOTE: No provision has been made in the 1943 Budget for semi-annual Sinking Fund payments of \$250,000 each July 1, 1943 and January 1, 1944 for Canadian Northern Railway Company 6½% Sinking Fund Bonds, as these amounts, in the judgment of the Management, will not be required.

STANDING COMMITTEE

CANADIAN NATIONAL RAILWAYS
NEW EQUIPMENT UNDER DOMINION GOVERNMENT HIRE-PURCHASE AGREEMENTS

	1942 Budget	1942 Actual	1943 Budget
	\$	\$	\$
1941 Programme—Order in Council P.C. 3433 May 14, 1941..	22,250,000	9,313,233	11,703,894
1942 Programme—Order in Council P.C. 2849 April 10, 1942..	25,168,000	—	—
Proposed 1943 Programme—(which includes the 1942 Programme).....	—	—	32,212,500
Total Equipment Purchases under Hire-Purchase Agreements.....	47,418,000	9,313,233	43,916,394

DETAILS OF ABOVE FOR 1942 AND 1943

	UNITS			
	1942	1943		
1941 Programme—				
Northern Type Locomotives.....	30	5		
Box Cars—40 Ton.....		1,950		
Box Baggage—40 Ton.....		50		
Gondola—70 Ton.....	463	237		
Flat Cars—50 Ton.....	300			
Hopper Cars—70 Ton.....	250			
Coaches.....	25			
Baggage—Express Cars.....	15			
	1,083	2,242	9,313,233	11,703,894
1943 Programme—Proposed—				
Northern Type Locomotives.....		30		
Freight Refrigerator Cars.....		300		
70-Ton Triple Hopper bottom Cars.....		750		
50-Ton Flat Cars.....		200		
40-Ton Box Cars.....		4,000		
		5,280		32,212,500

CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS, LIMITED
COMPARATIVE STATEMENT OF NET INCOME RESULTS
YEARS 1942-1943

	1942 Budget	1942 Actual	1943 Budget
	\$	\$	\$
Estimated Net Income from Operation—			
Operating Revenues.....	7,515,000	5,407,976	3,317,000
Subsidies to be received from the West Indies Colonies in conformity with Trade Agreement entered into with the Government of the Dominion of Canada.....	150,000	192,520	100,000
Total Revenues.....	7,665,000	5,600,496	3,417,000
Operating Expenses.....	6,385,000	4,220,219	2,320,000
Net Operating Income.....	1,280,000	1,380,277	1,097,000
Interest Requirements on 5%—25-Year Bonds issued in 1930; Principal Amount \$9,400,000.....	470,000	470,000	470,000
Exchange Premium on Bond Interest.....	52,000	51,700	52,000
Amortization of Discount on Bonds.....		77,362	
Net Income available towards payment of Interest on Advances by Government of Canada.....	780,000	781,215	575,000

Mr. JACKMAN: There is just one item there in the middle of the first page, the amount available from reserves for depreciation of reserve and debt discount amortization. You expect to have available from that source \$17,000,000 in cash from your operating revenue to finance your capital requirements. That is quite a jump up from last year. It is a jump up of \$3,000,000. You base that on increased business?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: Is it not strange you should expect to get \$3,000,000 additional depreciation from increased business and still not have a higher cash surplus for the year than you had last year?

Mr. COOPER: There are two reasons. One is additional business. We expect to set aside more for depreciation. We are budgeting in 1943 for gross revenues of \$400,000,000 as compared with \$375,000,000 in 1942. Therefore we expect to set aside additional depreciation in 1943.

Mr. JACKMAN: You do not expect to make anything out of the \$25,000,000 to carry to net? You are not budgeting for it in the cash surplus, are you, or is the cash surplus budget not to be taken seriously?

Mr. COOPER: I would put it this way. Last year we made \$25,000,000. What we may make in 1943 is very much of a guess.

Mr. DONNELLY: \$125,000,000.

Mr. COOPER: I think we are trying to be conservative. We thought we could bring down a budget for approximately the same amount, \$25,000,000, but it may be more. You notice in 1942 we estimated it would be \$5,000,000 and we made \$25,000,000. This year we estimate it will be \$25,000,000 and we may make more.

Mr. JACKMAN: It would be impossible to stay in some businesses if you could not guess more shrewdly than that. I do not think you are trying very hard.

Mr. COOPER: If you can tell me what the gross or net revenues of the Canadian National Railways will be in 1943 I think you should take my position.

Mr. VAUGHAN: We try to be on the conservative side.

Mr. JACKMAN: I think you are, Mr. Chairman.

Mr. VAUGHAN: Our expenses are increasing as you have noticed through the cost-of-living bonus and cost of materials, and it is very difficult to estimate what our increased expenses will be, but if we get the \$400,000,000 revenue we have budgeted for we believe we can produce \$25,000,000 net revenue. If we get more than \$400,000,000 I think we will do better than \$25,000,000 net.

Mr. GRAY: I do not like that word "conservative".

The CHAIRMAN: Net income results.

Mr. VAUGHAN: The following statements are merely in support of the first statement. If you wish to go through them we will be glad to do it.

Mr. JACKMAN: What are we asking parliament for? What are we going to recommend to parliament on the basis of this first statement?

Mr. VAUGHAN: We are really asking parliament for \$6,046,300.

Mr. JACKMAN: To look after all the capital requirements for the year.

Mr. VAUGHAN: It will be handled by two different methods. The \$6,000,000 will be handled under the C. N. R. financing bill and the \$43,000,000 will be handled under the War Measures Act.

The CHAIRMAN: Next page, additions and betterments.

Mr. JACKMAN: This is the most important part of our whole report. I think we must spend a minute on it. You are asking parliament for \$6,000,000 to look after your own capital requirements?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: And in doing that you will retire \$1,294,000 in securities through acquisition and also retire maturing capital obligations and make sinking fund payments of \$9,500,000. You are reducing your debt by close to \$11,000,000 there; is that right? The two items are \$1,294,000 and \$9,552,000.

Mr. COOPER: \$9,552,000 is a refunding operation pure and simple. We retire that amount of debt held by the public and we increase the amount due to the government.

Mr. JACKMAN: There is no net retirement necessarily.

Mr. COOPER: No change in the debt.

Mr. JACKMAN: Then you are asking for \$6,000,000 additional to put into the system?

Mr. COOPER: New capital, yes.

The CHAIRMAN: Are you through with this page?

Mr. JACKMAN: While these figures have been read to us I really think, Mr. President, that you should tell us exactly what happened. The company is going to require for its capital budget these items under \$12,000,000, \$1,000,000, \$9,000,000, \$17,000,000. That is going to be spent; is that right?

Mr. COOPER: Not quite.

Mr. JACKMAN: Not the \$17,000,000.

Mr. COOPER: We are going to spend \$12,200,000 and \$1,200,000. We shall have available \$17,000,00 (which we shall charge to operating expenses) making a net decrease in the capital debt for the year of \$3,000,000. We are also going to exchange debts to the amount of \$9,500,000 making our cash requirements for the year \$6,000,000.

Mr. JACKMAN: After absorbing \$25,000,000 cash surplus?

Mr. COOPER: No, independently of that. In 1943 on the basis of the budget, and for the minute not speaking of new equipment, there would be a reduction in our capital debt of something like \$28,000,000. If I may, I would like to amplify this matter a little because I have always felt there was a certain amount of confusion in the minds of the members of the committee with respect to the increase in the capital debt of the Canadian National Railways. You see in our capital budget year after year substantial sums of money for capital purposes. You see on page 8 that we spent \$21,000,000 on capital expenditure account. You see we retired \$32,000,000 of maturing obligations, that we retired equipment trust obligations to the extent of \$9,490,000, and that we repatriated securities having a par value of \$289,000,000. That sort of thing goes on year after year. I suspect there may be some misunderstanding in the minds of the committee as to the aggregate increase in the capital debt of the Canadian National Railways System so I took out the figures for a ten year period, and I think it will surprise members of the committee to know that the increase in the capital debt of the Canadian National Railways over a ten year period amounts to \$24,000,000. That is to say, that our capital debt over that period has increased at a rate of less than \$2,500,000 a year, and because of the opportunity to retire debt at lower rates of interest we have been able to reduce our fixed charges. In this ten year period not only have we paid interest on the additional capital of \$24,000,000, but having done that we have reduced our fixed charges to the extent of \$8,000,000 a year. So taking the picture over a ten-year period and summarizing capital expenditure, debt redemption, amounts available from surplus and reserves and all those things, we find an increase in debt of \$24,000,000, which averages, as I said, less than \$2,500,000 a year; and over all we have saved or reduced our fixed charges by \$8,000,000 a year. We

made issues to the public of \$325,000,000. We borrowed \$479,000,000 from the dominion. We paid off securities held by the public to the extent of \$780,000,000. But the net change at the end of the period is \$24,000,000. In the ten-year period we spent \$114,000,000 for capital.

Mr. JACKMAN: Yes. That sounds very fine. But I still do not understand this budget and I do not think the members of the committee do. First of all, you want to spend how much money next year? Give the items. I will mark the ones you want to spend with blue pencil and I will mark the others with red pencil.

Mr. COOPER: Apart from new equipment we have a capital budget of \$6,000,000, and there will be a bill presented to the House authorizing the Canadian National to spend that much. If we reach our objective, we shall have \$25,000,000 available from operations, and we shall take that and apply it in reduction of our capital debts. We do not mix them up. We try to keep the operating side separate from the capital side. In any event, it is necessary to get authority to spend the \$12,200,000 and to spend the \$1,294,000.

Mr. JACKMAN: This cash surplus cannot be used as if it were a revolving fund. You have to turn it over to the government at the end of the year. For any new capital you need, you have got to draw on the government for that. That is why it differs from a commercial set-up.

Mr. COOPER: Yes. That is the reason.

Mr. JACKMAN: Let me see if I can get this. If you cannot give it to me, I will try to give it to you, and you can correct me if I am wrong. On additions and betterments, you want to spend \$12,200,000?

Mr. COOPER: Yes.

Mr. JACKMAN: And you want to acquire securities worth \$1,294,300?

Mr. COOPER: Correct.

Mr. JACKMAN: You have an item, retiring of maturing capital obligations; you want to retire some more capital obligations and to keep up your sinking fund payments?

Mr. COOPER: That is right.

Mr. JACKMAN: That is \$9,552,000. Those are the out-go items. Are there any more expenditures that you want to make, before we see where we are getting the money from?

Mr. COOPER: No, except with respect to this new equipment which we will deal with later.

Mr. JACKMAN: All right. Those are the three items. I can take this to be the situation. You want to spend \$13,000,000 and \$9,000,000 or about \$23,000,000.

Mr. COOPER: We want to spend \$23,046,000.

Mr. JACKMAN: And you are going to get \$17,000,000 from operating revenue to apply against depreciation, and that money you are going to use to help pay off the \$23,000,000, which leaves you a net of \$6,000,000 which you have to get from some place else?

Mr. COOPER: Yes.

Mr. JACKMAN: Where are you going to get that? Are you going to get it from the government in the bill?

Mr. COOPER: Yes.

Mr. JACKMAN: What bill do you call it?

Mr. COOPER: The Canadian National financing bill of 1943-44.

Mr. JACKMAN: The other items, the new equipment, hire-purchase agreement with dominion government, \$43,916,000 will be a separate act, will it?

Mr. COOPER: I understand that the authority to build this equipment is under the War Appropriation Act.

Mr. VAUGHAN: That is really a carry-over from previous years. As you will see, we only spent \$9,000,000 last year and we only now or just recently got delivery of some equipment we ordered in 1941.

Mr. JACKMAN: Yes. It expired and you did not use it, and you have to apply for it again?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: The only other item on that budget is \$25,000,000 cash surplus which automatically, if you realize it at the end of 1943, is just turned over to the government.

Mr. VAUGHAN: Yes.

Mr. JACKMAN: And that then goes to reduce the proprietor's equity.

Mr. COOPER: No. It goes to increase the proprietor's equity.

Mr. JACKMAN: I mean to reduce the proprietor's deficit. It is an increased proprietor's equity. The name of the account is proprietor's equity. It is increased by \$25,000,000 if you make that and turn it over.

Mr. COOPER: If we make \$25,000,000, the Dominion's equity in the Canadian National railways will be increased by \$25,000,000.

Mr. JACKMAN: Yes. It is not applied against any deficit account. You have not got any deficit account to apply it against. Are there any other items that come in? There is \$400,000, statutory authorization on the T.C.A. capital stock.

Mr. VAUGHAN: Yes.

Mr. JACKMAN: Where does that money come from?

Mr. VAUGHAN: It comes from the dominion.

Mr. JACKMAN: Do we have to pass another act for that?

Mr. VAUGHAN: No.

Mr. JACKMAN: It is under the statute now?

Mr. VAUGHAN: The Trans-Canada Act authorizes \$5,000,000 and it is part of the balance of that authorization.

Mr. JACKMAN: How do they give it to you? T.C.A. ask you to take up another \$400,000 of stock and you then notify what—the treasury department or whom?

Mr. COOPER: We make a requisition on the government—T.C.A. makes a call on the shareholders, the shareholders being Canadian National railways. The Canadian National Railway Company makes a requisition on the Department of Finance and they advance the money to us under the authority of the Trans-Canada Act.

Mr. JACKMAN: So that we have this year in our budget estimates \$400,000 for T.C.A.?

Mr. COOPER: I could not tell you—

Mr. JACKMAN: It has got to come from some place.

Mr. COOPER: —how the government estimates are made up.

Mr. JACKMAN: All right. Thank you very much.

The CHAIRMAN: I do not think we need to delay very long with these others. Page 2 is a comparative statement of the net income results for 1942-43.

Mr. GRAY: Mr. Chairman, dealing with that budget or report, I think it might be in order to ask what has been done about the report of the committee of the year before last in which your committee recommends that steps be taken to assure a division of the government-controlled business more in accord with the relative responsibility of the two roads; that is, between the C.P.R. and the C.N.R.

Mr. VAUGHAN: We followed that up vigorously after the recommendation of your committee last year, and we have been successful in persuading the Department of National Defence and the other departments concerned, where that order was applicable, to withdraw the order and it has been withdrawn.

Mr. EMMERSON: What effect is it having?

Mr. VAUGHAN: It is difficult to say. Our business is increasing all the time and the C.P.R. business is also increasing. But we believe that it is working to our advantage. We have got to go out on our own and get business on our merits, and we are able to do it. We could not do it before as freely because these departments had instructions in effect that the business was to be divided fifty-fifty, but those instructions have been lifted and they are no longer in effect.

Mr. SHAW: It is on a straight competitive basis now?

Mr. VAUGHAN: Yes; it is on a straight competitive basis. I think I have that circular which was issued here. This, for instance, is the circular issued by the Department of National Defence:—

1. With reference to the instructions contained in Q.M.G. Circular Letter H.Q.C. 3376 dated 24th June, 1933, which directed that the transportation of personnel and freight in Canada would be divided equally, as far as possible, between the Canadian National and the Canadian Pacific Railways.
2. It is understood that these instructions have not been regarded as applicable under war conditions, and that in practice business is allotted on the basis of what is considered to be in the best interests of the Service having regard to economy, quality of service and convenience. These principles will continue to govern.
3. In view of the foregoing, the above mentioned Q.M.G. Circular Letter is hereby cancelled.

Mr. GRAY: Are you satisfied with the terms of the order?

Mr. JACKMAN: They said so last year.

Mr. VAUGHAN: Yes. I do not think we have anything to complain of at the present time.

Mr. DONNELLY: Everybody is happy.

Mr. VAUGHAN: I believe the various departments are treating us fairly now in the division of the business.

Mr. HANSON (*Skeena*): Is there a similar order from all the departments?

Mr. VAUGHAN: Yes.

Mr. NICHOLSON: From the naval affairs department?

Mr. VAUGHAN: Mr. Macdonald of the navy and Major Power of the air force have issued similar orders.

Mr. NICHOLSON: How about public works?

Mr. HANSON (*Skeena*): What about munitions and supply?

Mr. VAUGHAN: The Department of Munitions and Supply are giving us a fair share of the business, of which they control the routing. But a large amount of the business placed by munitions and supply is purchased at a delivered price, and the shipper controls the routing. It is up to us to go to the shipper to see that we get our share of the business, and I believe we are getting it.

Mr. NICHOLSON: Mr. Chairman, as I recall it last year, navy personnel travelling from Halifax to Vancouver, for example, travelled C.N. from Halifax to Montreal and C.P. from Montreal to Vancouver.

Mr. VAUGHAN: Yes.

Mr. NICHOLSON: Are you getting the business right through now?

Mr. VAUGHAN: Those matters have been straightened out with the department, and we believe that we are getting now our share of the business from the three services.

Mr. McCULLOCH: Carried.

Mr. EMMERSON: It was a matter of the convenience of the passenger. The routing of the soldier being moved was done in that way as a matter of convenience.

Mr. VAUGHAN: The larger passenger movements, of course, are controlled by the Quartermaster-General at Ottawa. All of these special troop trains move under his direction. And we are getting almost every week some special trains. We have no reason to complain at the present time about the division of the business. And we are grateful to the members of the committee for the action they took last year.

The CHAIRMAN: Shall we proceed?

Mr. JACKMAN: Is this Canadian (West Indies) Steamships Limited?

Mr. VAUGHAN: We have a report submitted in connection with that.

The CHAIRMAN: I have four items here in connection with the railways from the estimates of the house. Shall we proceed to a consideration of them?

Mr. JACKMAN: You are going into this budget item in connection with the Canadian National (West Indies) Steamships, are you not, Mr. Chairman?

The CHAIRMAN: That is up to the committee.

Mr. VAUGHAN: We have it here. I do not think it will take very long to go through it.

Mr. JACKMAN: I am speaking for the vote for the Canadian National (West Indies) Steamships Lines, not the Canadian National Railways.

Mr. VAUGHAN: There is no vote for the Canadian National Steamships Lines, because they have a surplus.

The CHAIRMAN: We will now proceed to a consideration of the items in the estimates. They will be found at page 46.

Mr. HANSON (*Skeena*): These are the items that we have been passing continually year after year. I do not think there need be any discussion about them. They are practically statutory.

The CHAIRMAN: Yes, these are the statutory items.

Mr. HANSON (*Skeena*): I move their adoption.

The CHAIRMAN: On item 385: item 385 agreed to.

On Item 386: item 386 agreed to.

The CHAIRMAN: I now call on item 405, that also is statutory: item 405 agreed to.

Item 406: item 406 agreed to.

Mr. GRAY: What about item 384; is there any discussion on that at this stage?

The CHAIRMAN: That has not been referred to us and we do not have anything to do with it.

Next we have is the Annual Report of the Canadian National (West Indies) Steamships, Limited.

Mr. GRAY: Carried.

The CHAIRMAN: Not quite so fast.

Mr. VAUGHAN: We have not put in any narrative in connection with the Canadian National (West Indies) Steamships because of the basis on which our ships now operate. Our vessels trade on routes specified by the shipping board and their movements are under the direction of the navy. But we have given you the official figures in this report.

The CHAIRMAN: We will ask Mr. Vaughan to read his report.

THE HONOURABLE J. E. MICHAUD, K.C., M.P.,
Minister of Transport,
Ottawa.

Sir,

On behalf of the Directors, I beg to submit the Annual Report of Canadian National (West Indies) Steamships, Limited, for the calendar year 1942.

The comparative operating results are as follows:—

	1942	1941	Decrease	
Operating Revenues	\$5,600,496 25	\$6,756,463 57	\$1,155,967 32	17·11%
Operating Expenses	4,220,219 37	5,029,106 60	808,887 23	16·08%
Operating Profit	<u>\$1,380,276 88</u>	<u>\$1,727,356 97</u>	<u>\$ 347,080 09</u>	

Details of the operating revenues and operating expenses are given in the accounting statements accompanying this report.

The cash surplus for the year, *i.e.*, the amount by which operating revenues exceeded operating expenses and funded debt charges, was \$781,214.88, which will be paid to the Government as interest on advances (current and arrears). The corresponding figure in 1941 was \$1,205,656.97.

The operations of the Company were again affected in marked degree by wartime conditions. The Directors record their warm appreciation of the loyal and efficient services of the Company's officers and employees during these very difficult times.

For the Directors,

A. C. VAUGHAN,
President.

CONSOLIDATED BALANCE SHEET

AT 31st DECEMBER, 1942.

ASSETS

INVESTMENTS:	
Vessels	\$5,805,632 17
Plant and Equipment.....	8,273 78
Office Furniture and Fixtures.....	18,062 45

CURRENT ASSETS	
Cash in Banks.....	\$592,071 09
Special Deposits	7,150 00

Accounts Receivable	\$ 599,221 09
Agents	523,492 47
Inventories of Stores and Supplies.....	327,607 57
Advances to Captains, Crews and Agents.	17,583 63
Amount due from Underwriters.....	35,323 67
Amount due from Canadian National Railways Joint Insurance and Re- placement Fund	698,342 75
	605,349 33

INSURANCE AND REPLACEMENT FUND.....	
DISCOUNT ON CAPITAL STOCK.....	

LIABILITIES

CAPITAL STOCK:	
Authorized and issued 400 Shares of \$100.00 each....	\$ 40,000 00
25 Year 5% Dominion of Canada Guaranteed Gold Bonds due in 1955.....	9,400,000 00

DOMINION OF CANADA ACCOUNT:	
Notes Payable Secured by Mortgages on Vessels	\$ 933,071 83
Advances:	
Capital	\$ 713,619 23
Working Capital.....	450,000 00
Deficits	5,059,960 94
Interest Accrued Unpaid.....	6,223,580 17
	577,257 11
	7,733,909 11

CURRENT LIABILITIES:	
Dominion of Canada.....	\$ 781,214 88
Accounts Payable	900,989 36
Interest Matured Unpaid.....	7,150 00
Unmatured Interest Accrued.....	156,666 67
Passage Money Paid in Advance.....	30,143 76
Insured Loss Unpaid.....	385,290 57

UNADJUSTED CREDITS	2,261,455 24
UNCOMPLETED VOYAGES—SUSPENSE.....	77,233 34
ACCUMULATED DEPRECIATION	44,568 16
INSURANCE AND REPLACEMENT RESERVE.....	2,231,914 54
PROFIT AND LOSS—Deficit.....	2,408,740 37
	9,780,285 54
	\$ 14,417,535 22

Contingent Liability.—No contingent reserve is accrued for pensions. Pension payments are charged currently to operating expenses.

T. H. COOPER,
Comptroller.

CERTIFICATE OF AUDITORS

We have examined the books and records of the Canadian National ended the 31st December, 1942, and subject to our report to the Minister of Transport, we certify that, in our opinion, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the affairs of the Steamships as at the 31st December, 1942, and that the relative Income and Profit and Loss Accounts for the year ended the 31st December, 1942, are correctly stated.

GEORGE A. TOUCHE & CO.,
Chartered Accountants.

23rd March, 1943.

The CHAIRMAN: I am asked to inform the committee that there is strict censorship with respect to ship movements and matters relating thereto and any discussion relating to that particular matter will not appear in our records.

Now for page 6: page 6 carried.

CONSOLIDATED PROFIT AND LOSS ACCOUNT AT 31st DECEMBER, 1942

Balance at 31st December, 1941—Deficit	\$10,090,783 04
Surplus at per Income Account, year 1942.....	273,879 93
	<hr/>
Adjustment of Bond Discount Amortized in prior years—Credit.....	\$ 9,816,903 11
	36,617 57
	<hr/>
Balance at 31st December, 1942—Deficit.....	\$ 9,780,285 54

CONSOLIDATED INCOME ACCOUNT

	1942	1941
Operating Revenue—		
Freight	\$4,561,640 65	\$5,358,734 12
Passenger	299,799 47	937,156 16
Baggage, Express and Miscellaneous.....	136,086 63	169,280 00
Subsidies	192,520 40	201,564 96
Charter	410,449 10	89,728 33
	<hr/>	<hr/>
Total	\$5,600,496 25	\$6,756,463 57
Operating Expenses—		
Closed Voyages	\$4,075,597 83	\$4,891,699 67
Management and Office Salaries.....	103,654 17	101,093 93
Rent and Taxes	18,860 78	9,466 80
Office Supplies and Expenses.....	22,248 22	26,460 99
Advertising	2,509 86	3,807 57
Interest and Exchange.....	2,651 49	3,422 36
	<hr/>	<hr/>
Total	\$4,220,219 37	\$5,029,106 60
	<hr/>	<hr/>
Operating Ratio	75.35%	74.43%
Operating Profit	\$1,380,276 88	\$1,727,356 97
Interest on Bonds held by Public.....	470,000 00	470,000 00
Exchange on U.S. Funds.....	51,700 00	51,700 00
Amortization of Discount on Bonds.....	77,362 00	—
	<hr/>	<hr/>
	\$ 781,214 88	\$1,205,656 97
Other Charges—		
Interest due Government	\$ 346,701 38	\$ 346,701 38
Depreciation on Vessels	160,633 57	262,645 32
Amortization of Discount	—	3,094 44
	<hr/>	<hr/>
Surplus	\$ 273,879 93	\$ 593,215 83

Mr. COOPER: Mr. May tells me we paid \$10,000 to the province of Quebec in settlement of an old claim which they had against us.

Mr. JACKMAN: Then, the item of amortization of discount on bonds—it was \$77,000, as against nothing in previous years.

Mr. COOPER: We are taking advantage, Mr. Jackman, of the surplus for the year to draw down that amount of money. We had been treating amortization charges on debt discount as if it were a non-cash requirement. We realize in 1955 when the bonds come due the amount of discount should have been provided in the interval out of operating revenue; we have not been treating it as a cash charge up to this date.

Mr. JACKMAN: Is that the whole issue or one year?

Mr. COOPER: That is the complete discount.

Mr. JACKMAN: You made how much money, \$223,000. All right, carried.

The CHAIRMAN: Shall the report carry?

Carried.

The CHAIRMAN: Now, we have the Canadian National Railways Securities Trust. Mr. MacLennan will read this.

Mr. F. M. MACLENNAN: This is a report to the Minister of Transport.

THE CANADIAN NATIONAL RAILWAYS
SECURITIES TRUST

Ottawa, March 22nd, 1943

The Honourable J. E. Michaud, K.C., M.P.,
Minister of Transport,
OTTAWA.

SIR,—In conformity with Section 23 of the Canadian National Railways Capital Revision Act, 1937, the Trustees submit the following report of the transactions of The Canadian National Railways Securities Trust for the calendar year 1942.

The book value of the capital stock of the Securities Trust has been increased during the year by \$31,559,862.85, this being the amount by which the surplus earnings and the capital gain of the Canadian National Railway System for the year 1942 exceeded the capital losses during the year.

The cash surplus of the Railway System together with the capital gain on the repatriation of securities, and capital losses in respect of which His Majesty has not made cash reimbursement to the Railway, are shown hereunder:—

SURPLUS EARNINGS of the Canadian National Railway System for the		
year 1942		\$25,063,268 32
CAPITAL GAIN on repatriation of securities.....		11,072,592 96
LINE ABANDONMENTS:		
Sunny Brae-Guysborough Branch.....53.84 miles	\$2,690,285 08	
Bay City Terminal Facilities (adjustment of 1941).....	103,063 48	
West Duluth Lumber Dock.....	125,583 53	
Acadia Valley Branch.....18.30 "	181,443 30	
Vancouver Island Line.....40.20 "	1,681,750 00	4,575,998 43
Net gain credited to Proprietor's Equity.....		<u>\$31,559,862 85</u>

With regard to the item of capital gain amounting to \$11,072,592.96, the arrangements made between the Governments of Canada and the United Kingdom, under which Canada has given financial assistance to the Government of the United Kingdom to enable it to purchase war supplies in Canada provided, among other things, for the repatriation of Dominion direct and guaranteed securities and Canadian National Railway securities.

On 26th January, 1942, the Treasury of the United Kingdom issued a vesting order naming as the price to be paid for the securities the market price at the close of business on that date. Under Order in Council P.C. 2484 dated 28th March, 1942, the Railway Company was authorized to re-purchase from the Dominion, at the vesting price, the railway securities purchased by the Dominion from the Treasury of the United Kingdom. Under Order in Council P.C. 8858, dated 3rd September, 1942, the Railway Company also has purchased from the Dominion other Canadian National Railway securities which had been acquired by the Treasury of the United Kingdom prior to the vesting order of 26th January, referred to. Under Order in Council P.C. 2886 dated 11th April, 1942, and P.C. 7197 dated 14th August, 1942, provision was made whereby holders not subject to the vesting order of Canadian National Railway securities listed in the vesting order might surrender their holdings for redemption at the vesting price. Under Order in Council P.C. 2484 dated 28th March, and P.C. 9773 dated 27th October, 1942, all of the 4% Guaranteed Stock issued by the former Grand Trunk Railway Company of Canada outstanding and not vested in the Treasury of the United Kingdom was called for redemption at par on 1st November, 1942. Additional 4% Perpetual Debenture Stock issued by the said Grand Trunk Railway Company was redeemed under the arrangements referred to in the 1940 Annual Report.

Loans for the purchase of these securities have been made to the Railway by the Government, bearing interest at $3\frac{1}{2}\%$ per annum, repayable on demand and secured by promissory notes and by the securities so purchased.

In all, these transactions have dealt with railway securities having a par value of \$289,320,520.18. The cost of redemption was \$278,045,685.22, resulting in a reduction in the capital debt of the railway of \$11,274,834.96. This amount less \$202,242.00 discount not amortized prior to the date of redemption, has been accounted for as a capital gain through the Proprietor's Equity account. As a matter of interest, it might be stated that these transactions have resulted also in an annual income saving to the Railway Company of \$1,049,000.00.

There were no transactions during the year affecting the collateral securities held by the Securities Trust.

The Trustees present herewith the Balance Sheet of the Securities Trust as at 31st December, 1942.

For the Trustees,

W. C. CLARK,
Chairman.

THE CANADIAN NATIONAL RAILWAYS SECURITIES TRUST

BALANCE SHEET AT 31st DECEMBER, 1942.

ASSETS		LIABILITIES	
<i>Claims for Principal of Loans—</i>		<i>Capital Stock owned by His Majesty—</i>	
Canadian Northern Railway.....	\$ 312,334,805 10	5,000,000 shares of no par value capital stock:—Initial stated value.....	\$270,037,437 88
Grand Trunk Railway.....	118,582,182 33	Cash Surplus of Canadian National Railway System:—	
Grand Trunk Pacific Railway.....	116,006,599 08	Year 1941.....	\$ 4,016,326 74
Canadian National Railway Company....	96,936,971 75	" 1942.....	25,063,268 32
	\$ 643,860,558 26		29,079,595 06
<i>Claims for Interest on Loans—</i>			\$299,117,032 94
Canadian Northern Railway.....	\$ 309,702,897 65	Capital loss (net) of Canadian National Railway System subsequent to 1st January, 1937, not reimbursed by His Majesty:—	
Grand Trunk Railway.....	103,250,802 95	1937-1941.....	\$ 6,770,745 30
Grand Trunk Pacific Railway.....	107,326,622 84	Year 1942 (gain).....	6,496,594, 53
Canadian National Railway Company.....	54,501,313 57		274,150 77
	574,781,637 01		\$ 298,842,882 17
<i>Collateral Securities—</i>		Amount by which the book value of claims and interest thereon—per contra—exceeds the book value of the capital stock as shown above.....	919,799,313 10
As per Schedule A.1.....	\$ 1,218,642,195 27		\$ 1,218,642,195 27
		T. H. COOPER, Comptroller.	

CERTIFICATE OF AUDITORS

We have examined the books and records of The Canadian National Railways Securities Trust for the year ended the 31st December, 1942. There have been produced for our inspection the Notes and Other Evidences of Indebtedness, the Collateral Securities and the Certificate of the Special Depositary, as set out in Schedule A.1 attached hereto.
We certify that, in our opinion, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the accounts of the Trust as at the 31st December, 1942, in accordance with the provisions of The Canadian National Railways Capital Revision Act, 1937.

GEORGE A. TOUCHE & CO.,
Chartered Accountants.

16th MARCH, 1943.

THE CANADIAN NATIONAL RAILWAYS SECURITIES TRUST
SUMMARY OF INDEBTEDNESS TRANSFERRED FROM THE GOVERNMENT TO THE SECURITIES TRUST

Loans Outstanding

CANADIAN NORTHERN RAILWAY:		
3½% Loan, Chapter 6, 1911.....	\$ 2,336,099 68	None. Charge is on premises mortgaged October 4, 1911.....
4% Loan, Chapter 20, 1914.....	5,294,000 02	None.
5% Loan, Chapter 4, 1915.....	10,000,000 00	None.
6% Loan, Chapter 29, 1916.....	15,000,000 00	Mortgages dated June 23, 1916.
Temporary Loan, 1918, repaid		6% Demand Notes.....\$ 497,566 80
6% Loan, Chapter 24, 1917.....	25,000,000 00	6% Demand Notes.....33,012,414 32
6% Loan, Vote 110, 1918.....	25,000,000 00	6% Demand Notes.....27,203,003 65
6% Loan, Vote 108, 1919.....	35,000,000 00	6% Demand Notes.....40,031,122 27
6% Loan, Vote 127, 1920.....	48,611,077 00	6% Demand Notes.....53,008,779 65
6% Loan, Vote 126, 1921.....	44,419,806 42	6% Demand Notes.....50,259,312 47
6% Loan, Vote 136, 1922.....	42,800,000 00	6% Demand Notes.....46,691,634 60
6% Loan, War Measures Act, 1918.....	1,887,821 16	6% Demand Note.....5,700,000 00
6% Equipment Loan, Chapter 38, 1918.....	56,926,000 82	4% Debenture Stock.....1,975,866 00
Indebtedness refunded by Government under Chapter 24, 1917 and Chapter 11, 1918.....		3½% and 4½% Debenture Stocks.....7,139,399 00
		6% Demand Notes.....56,858,496 44
		Miscellaneous Bonds and Debentures.....24,573,539 90
		Miscellaneous Bonds and Debentures.....668,000 00
†Mortgage covering loans above.....		Mortgage dated November 16, 1917.....20,721,191 12

Total Canadian Northern.....	\$ 312,334,805 10	
GRAND TRUNK RAILWAY:		
6% Loan, Vote 478, 1920.....	\$ 25,000,000 00	6% Demand Notes.....25,479,226 97
6% Loan, Vote 126, 1921.....	55,293,435 18	6% Demand Notes.....56,646,816 12
6% Loan, Vote 137, 1922.....	23,288,747 15	4% G.T. Pacific Mortgage Bonds.....10,000,000 00
4% Loan to G.T. Pacific Chapter 23, 1913, guaranteed by Grand Trunk.....	15,000,000 00	6% Demand Note.....23,288,747 15
Temporary Loans, repaid through subsequent issues of guaranteed securities and loans.....		4% Demand Note.....15,000,000 00
		4% G.T.P. Debentures.....15,000,000 00
		4% Debenture Stock.....60,801,700 00
		6% 2nd Mortgage Equipment Bonds.....1,693,113 33
Total Grand Trunk.....	\$ 118,582,182 33	

GRAND TRUNK PACIFIC RAILWAY:		
3% Bonds, Chapter 24, 1913.....	\$ 33,048,000 00	3% 1st Mortgage Bonds.....33,048,000 00
6% Loan, Chapter 4, 1915.....	6,000,000 00	4% Sterling Bonds.....7,499,952 00
6% Loan, Vote 441, 1916.....	7,081,783 45	Mortgage, June 28, 1916.....
6% Loan, Vote 444, 1917.....	5,038,053 72	Mortgage, October 18, 1917.....
6% Loan, Vote 110, 1918.....	7,471,399 93	Mortgage, October 18, 1917.....
Receiver's Advances, P.C. 635, March 26, 1919.....	45,704,162 35	Receiver's Certificates.....53,339,162 74
Interest Guaranteed by Dominion.....	8,704,662 65	Cremation Certificates, coupons destroyed.....8,698,170 42
Interest Guaranteed by Provinces of Alberta and Saskatchewan.....	2,898,536 98	Cremation Certificates, coupons destroyed.....2,925,723 88
Agreement with Government under Chapter 71, 1903.....		Grand Trunk Pacific Development Company Capital Stock.....2,999,000 00
Total Grand Trunk Pacific.....	\$ 116,006,599 08	forward

THE CANADIAN NATIONAL RAILWAYS SECURITIES TRUST

SUMMARY OF INDEBTEDNESS TRANSFERRED FROM THE GOVERNMENT TO THE SECURITIES TRUST

Loans Outstanding

*Notes and Collateral Held

CANADIAN NATIONAL RAILWAY COMPANY:			
6% Loan, Vote 139, 1923.....	\$ 24,550,000 00	{6% Canadian Northern Demand Note.....	\$ 12,655,019 57
		{G.T.P. Receiver's Certificates.....	3,313,530 01
		{G.T.P. Interest Coupons.....	1,925,706 96
5% Loan, Vote 137, 1924.....	10,000,000 00	{5% Canadian Northern Demand Note.....	1,318,315 86
		{G.T.P. Receiver's Certificates.....	4,691,173 58
		{G.T.P. Interest Coupons.....	1,925,706 96
5% Loan, Vote 377, 1925.....	10,000,000 00	{5% Canadian Northern Demand Note.....	9,496,718 21
		{G.T.P. Receiver's Certificates—Cr.....	1,422,425 17
		{G.T.P. Interest Coupons.....	1,925,706 96
5% Loan, Vote 372, 1926.....	10,000,000 00	{5% Canadian Northern Demand Note.....	9,062,624 30
		{G.T.P. Receiver's Certificates—Cr.....	364,898 78
		{G.T.P. Interest Coupons.....	1,925,706 96
5% Loan, Vote 336, 1929.....	2,932,652 91	5% Canadian National Railway Company Demand Note....	2,932,652 91
5% and 5½% Loans, Chapter 22, 1931.....	29,910,400 85	5% and 5½% Canadian National Railway Company Demand Notes.....	29,910,400 85
5½% Loans, Chapter 6, 1932.....	11,210,815 56	5½% Canadian National Railway Company Demand Notes..	11,210,815 56
Temporary Loan 1930, repaid.....		166,877·6376 shares of Capital Stock of Grand Trunk Western Railroad.....	4,171,940 94
Temporary Loan 1930, repaid.....		5% 1st and Central Mortgage Temporary Gold Bonds of Central Vermont Railway, Inc.....	8,609,000 00
Less: adjustment authorized by the Capital Revision Act, 1937.....	1,666,897 57		
Total Canadian National Railway Company.....	\$ 96,936,971 75		
Total Loans.....	\$ 643,860,558 26		

*The Notes and Other Evidences of Indebtedness and the Collateral Securities are all held for safekeeping in the Vaults of the Department of Finance, Ottawa, excepting Grand Trunk Pacific Railway 3% 1st Mortgage Bonds in the amount of £5,307,000 (\$25,792,020) which are held for safekeeping by the Bank of Montreal, London, England, as evidenced by the certificate of that depositary.

Mr. JACKMAN: I should like to ask a question in connection with line abandonments. There was a loss there of \$4,575,000. That inevitably happens if you abandon a certain line unless you are selling for salvage at a greater price than the line was on your books. Unless that happens you must have a capital loss?

Mr. COOPER: That is right.

Mr. VAUGHAN: Salvage is comparatively small in comparison with the cost of the line.

Mr. McCULLOCH: What lines were abandoned?

Mr. COOPER: They are set out there.

Mr. McCULLOCH: Whereabouts are the lines abandoned?

Mr. JACKMAN: You will find it on page 4.

Mr. McCULLOCH: Does that mean the Sunny Brae railway from Sunny Brae to Country Harbour is going to be abandoned?

Mr. VAUGHAN: There is, as you know, a certain mileage of Sunny Brae line which is in operation. Beyond that there is a portion of it on which some money has been spent, but it has never been finished. The idea is to abandon the part not finished and not to touch the part in operation.

Mr. McCULLOCH: That is from Sunny Brae to Country Harbour.

Mr. VAUGHAN: Yes.

Mr. McCULLOCH: Has there been any thought given to that line from Sunny Brae to Country Harbour?

Mr. VAUGHAN: That matter has been before us on different occasions, but we have done nothing about it. I think we have had it up with departments of government, but it was considered that there would not be much object in developing the port of Country Harbour at the present time.

Mr. McCULLOCH: This line from Sunny Brae and Country Harbour has a roadbed that is all ready, the bridges are all in. Stellarton is on this line from Sunny Brae to Country Harbour. The roadbed is all ready within about seven or eight miles of Country Harbour, and if anything happened to Halifax that is the only harbour that you could ship from. The harbour is free from ice all the year round and is one of the best harbours in the world.

Mr. VAUGHAN: We will still own the right-of-way and have everything that is there.

Mr. HANSON (*Skeena*): With regard to abandonments there is the Vancouver island line. What about that?

Mr. VAUGHAN: There was a line graded beyond Cowichan lake.

(Carried.)

It was moved by Mr. Emmerson, seconded by Mr. McCulloch that the report be adopted.

The CHAIRMAN: We now have the Canadian National Railways system audit report, and I will call Mr. Matthews to read it.

Mr. O. A. MATTHEWS (George A. Touche & Co.):

THE HONOURABLE THE MINISTER OF TRANSPORT,
Ottawa, Canada.

Sir:—

In conformity with the Canadian National-Canadian Pacific Act, 1936, and Chapter 12, 1942, "An Act respecting the appointment of Auditors for National Railways," we have audited the accounts of the Canadian National Railway System for the year ended the 31st December, 1942, and now submit, through you, our report to Parliament.

The general scope of the test audit which we have made for the year 1942 may be outlined briefly as follows:—

- (a) Examination of major expenditure authorities which were based principally upon recorded Resolutions of the Directors. These major expenditure authorities in turn have been established mainly by Corporate By-Laws of the Canadian National Railway Company, Acts of Parliament and Orders in Council;
- (b) Audit tests in the offices of Regions, Separately Operated Properties and System Headquarters, covering a cross-section of the major expenditures so authorized;
- (c) Examination into the adequacy of the internal audit control in general as exercised by the accounting staff of the System. In this connection we work in collaboration with the executive accounting and treasury officers at Headquarters having as a common objective the securing of maximum internal protection to the System in the control of Cash Receipts and Expenditures, Securities Held, Material Stores, Accounts Receivable etc., and
- (d) Audit and certification of the Consolidated Balance Sheet, Income and Profit and Loss Accounts for presentation to Parliament, which body is thus placed in possession of facts upon which conclusions can be reached as to the stewardship of the duly appointed administrators of the System.

The audit covered the various Balance Sheet accounting units in Canada, the United States and Great Britain with Income and Profit and Loss Accounts originating in the Revenue Offices, Regions, Separately Operated Properties and System Headquarters applicable to some 95 companies comprising the National System as an operating entity.

We attach hereto the following financial statements of the National System:—

- | | |
|-------------|--|
| Exhibit I | —Consolidated Balance Sheet at the 31st December, 1942—
together with Audit Certificate |
| Exhibit II | —Dominion of Canada—Proprietor's Equity at the 31st
December, 1942 |
| Exhibit III | —Consolidated Profit and Loss Account—Year 1942 |
| Exhibit IV | —Consolidated Income Account—Year 1942 |
| Exhibit V | —Investments in Affiliated Companies at the 31st December,
1942 |
| Exhibit VI | —Major Contingent Liabilities, including Pension Plans, at
the 31st December, 1942. |

Consolidated Balance Sheet

Investments in Properties and Equipment appearing in the books of the companies as at the 1st January, 1923, were accepted by us. As against the corporate property investments brought into the National System accounts in 1923, there have been applied the reductions as authorized by The Canadian National Railways Capital Revision Act, 1937. Since the 1st January, 1923, the property additions and betterments less retirements have been shown at cost.

Investments in Affiliated Companies, as set out in Exhibit V, are represented in the main, apart from the Trans-Canada Air Lines, by a 50 per cent or less capital stock ownership. The basis of the Balance Sheet figure is cost, or in certain instances special valuations approved by the Interstate Commerce Commission. There are two principal factors for consideration in this type of investment by the railroad industry generally, viz:—

- (1) The extent of traffic benefits derived by parent companies as a direct result of their investments, and

- (2) The fact that the affiliates have utilized the proceeds from the sale of their securities largely for investment in transportation properties and equipment. It is obvious therefore, that the future valuation trend affecting Investments in Affiliated Companies will be dependent, basically, upon the future economic value of the properties and equipment of the railroad industry generally.

Material and Supplies are shown on the basis of ledger balances. Owing to war-time demands upon the Stores personnel the customary physical inventory was not taken in 1942.

The Dominion of Canada, in connection with loans made for the repatriation of securities from the United Kingdom and certain other redemption undertakings, holds as collateral the securities so redeemed from the Public.

The Insurance Reserve, mainly covering fire risks, is invested principally in the securities of Dominion, Provincial and Municipal Governments, and in the securities of Companies within the National System.

In respect of Accrued Depreciation it should be noted that from the 1st January, 1940, Depreciation Accounting has been applied to rolling stock owned by all Lines of the System and Retirement Accounting to fixed properties. Prior to that date Depreciation Accounting was applied to rolling stock owned by United States Lines and Retirement Accounting, on the basis of original cost, to other units of property on the System.

The accounts of the System are stated in Canadian currency—Sterling and United States currencies being converted at the par of exchange.

A summary of Dominion of Canada—Proprietor's Equity at the 31st December, 1942, is set forth on the Balance Sheet and the transactions during the year 1942 affecting Proprietor's Equity are detailed in Exhibit II.

Major Contingent Liabilities, including Pension Plans, are dealt with in Exhibit VI. With reference to Pension Plans, we would point out that reserves are not set up in the Balance Sheet against the Railway's portion of the pensions presently being paid or conditionally accruing under the 1935 Contractual Plan and prior Non-Contractual Plans. Actual pension payments made at the expense of the Railway are charged currently to Operating Expenses. In respect of the Pension Contracts already issued and in force under the 1935 Contractual Plan the Railway has made a tentative estimate, which has been accepted by us, showing a capital amount approximating \$20,000,000. The portion of this sum contributed by retired employees is carried in the accounts as a deferred liability against which funds have been separately invested. The contributions under the 1935 Contractual Plan by employees presently in service are invested through the Pension Fund, the accounts of which are not included with those of the Railway.

Consolidated Profit and Loss Account

The Cash Surplus for the year 1942, as shown in Exhibits III and IV, is after making provision for the following:—

- (a) Deferred Repairs and Renewals—covering Fixed Properties and Equipment;
- (b) Excess over pre-war cost of Material and Supplies inventories—based on normal quantities;
- (c) Depreciation of Rolling Stock—including special provision for abnormal war-time use;
- (d) Fixed Property Retirements—apart from capital losses charged to Proprietor's Equity;
- (e) Amortization of Defence Projects;
- (f) Amortization of Discount on Funded Debt;
- (g) Interest on Funded Debt held by the Public, and
- (h) Interest on Loans from the Government.

Apart from the investment in Dominion of Canada securities of a portion of the cash made available through the provision for Deferred Repairs and Renewals, the surplus funds made available in the aggregate through the aforementioned provisions (a) to (f) are being applied in reduction of the cash requirements from the Government for the year 1942 in respect of Capital Expenditures and Current Working Capital.

In the matter of current maintenance policy we have received certificates from the responsible officers to the effect that, subject to the conditions which necessitated the provision for Deferred Repairs and Renewals, the Properties and Equipment of the National System have been maintained in a proper state of repair and in an efficient operating condition during the year 1942.

It should be noted that under a recent order of the Interstate Commerce Commission effective 1st January, 1943, Depreciation Accounting is prescribed for United States Railways covering depreciable fixed properties including buildings, stations, shops, bridges, etc., but excluding the track structure, i.e. rails, fastenings, ties and ballast which will continue on the Retirement basis. In so far as the Canadian Lines of the National System are concerned it would not appear practicable to take similar action in respect of Depreciation Accounting for fixed properties until after the termination of hostilities, because of the substantial cost involved and the need of all the technical personnel of the railway to meet the transportation requirements arising out of the present national emergency. In any event, we recommend that the post-war adoption by the National System of Depreciation Accounting for fixed properties in Canada be made contingent upon the establishment of uniform accounting regulations, of a mandatory character, applicable to Canadian railways.

Canadian National Railways Securities Trust

The Canadian National Railways Securities Trust, under authority of Section 22 of the Capital Revision Act, has been treated as a constituent unit of the National System. There is, however, a provision in Section 23 of the Act requiring presentation to Parliament of a Trustees' Report and a separate Balance Sheet for the Securities Trust. The Trustees' Report sets forth in a summary manner the transactions of the Securities Trust during the year, 1942. Our audit certificate is appended to the separate Balance Sheet.

A copy of our Memorandum to the Board of Directors dealing with internal matters will be despatched to the Minister of Transport in due course (that has since been despatched).

We report to Parliament that the National System accounts have been maintained, during the year, 1942, in an efficient manner and generally in accordance with the Accounting Classifications in use by the Class I Railroads of the United States.

TRANS-CANADA AIR LINES

The Trans-Canada Air Lines have not been included as a constituent unit of the National System although 100 per cent stock ownership of the Air Lines is vested in the Canadian National Railway Company. A separate Balance Sheet and Income Account have been certified by us at the 31st December, 1942.

The Insurance Reserve, covering the aircraft against flying risks together with employers' liability, is not specifically invested, the relative funds being included in the general working capital of the Air Lines.

The Surplus for the year 1942, as shown by the Income Account of the Air Lines, is after making provision for:—

- (a) Estimated amount of retroactive contributions to be made by the company under the 1943 pension plan;

- (b) Interest at 5 per cent on the capital investment in accordance with the Trans-Canada Contract, and
- (c) Depreciation on capital assets at rates similar to those used by other major air line companies in North America, in accordance with the Trans-Canada Contract.

In the matter of current maintenance policy we have received certificates from the responsible officers to the effect that the properties and equipment have been maintained in a proper state of repair and in an efficient operating condition during the year 1942.

The test audit which we have made for the year 1942 is similar in scope to that of the National System and may be outlined briefly as follows:—

- (a) Examination of major expenditure authorities, embracing mainly the recorded resolutions of the directors, corporate by-laws, Acts of Parliament and orders in council;
- (b) Audit tests covering a cross-section of the major expenditures so authorized;
- (c) Examination into the adequacy of the internal audit control in general as exercised by the accounting staff of the company covering cash receipts and expenditures, material stores, accounts receivable, etc., and
- (d) Audit and certification of the balance sheet and income account for presentation to Parliament.

We report that the accounts of the Air Lines have been efficiently maintained during the year 1942.

CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS, LIMITED

The accounts of the Canadian National (West Indies) Steamships, Limited, and subsidiary companies are not consolidated with those of the National System, the 100 per cent stock ownership of the parent steamship company being vested in the Dominion. Our report on the separate consolidated balance sheet and consolidated income and profit and loss accounts at the 31st December, 1942, will be despatched to the Minister of Transport in due course.

Yours faithfully,

GEORGE A. TOUCHE & CO.

The CHAIRMAN: Page 5, consolidated balance sheet.

Mr. MATTHEWS: That is a duplicate of what has been already considered.

Mr. JACKMAN: May I ask the witness something with reference to Trans-Canada Air Lines? The report reads:—

The insurance reserve, covering the aircraft against flying risks together with employers' liability, is not specifically invested, the relative funds being included in the general working capital of the air lines.

Is there any inference to be drawn from that paragraph?

Mr. MATTHEWS: No, it is simply a statement of fact. In the case of the Canadian National Railways, of course, the money is specifically invested. There is no inference.

Mr. JACKMAN: If it was a private air transportation company would you suggest that it would be the part of wisdom to set up a fund specifically?

Mr. MATTHEWS: I think that is a matter of policy to be determined by the board.

Mr. JACKMAN: You would have no objection to a private company carrying on as T.C.A. handles this fund?

Mr. MATTHEWS: I think in the case of the T.C.A. we have to regard it in the light of its ownership by the Canadian National Railways Company and in turn by the Dominion.

Mr. GRAY: Do you not think we should include it in the Canadian National system?

Mr. MATTHEWS: You mean the insurance?

Mr. GRAY: No, the whole setup.

Mr. MATTHEWS: Include it in the Canadian National Railways?

Mr. GRAY: Yes.

Mr. MATTHEWS: I think that you have to consider the separate act of parliament covering the Trans-Canada Air Lines.

Mr. GRAY: What is your opinion?

Mr. MATTHEWS: I cannot see any objection to the complete separation of the Trans-Canada Air Lines. I think again that is a matter of government policy.

Mr. GRAY: Would you establish a new setup of Trans-Canada?

Mr. MATTHEWS: I do not understand.

Mr. GRAY: Would you establish a new setup of Trans-Canada Air Lines?

Mr. MATTHEWS: You mean if you brought it into the system?

Mr. GRAY: Yes.

Mr. MATTHEWS: It would be just consolidated with the figures of the Canadian National Railways and its operations would be lost. Their identity would be completely lost as are any of the other companies within the system. I think that there would be some objection to that.

Mr. JACKMAN: Mr. Chairman, I would like to refer to this paragraph:—

A copy of our memorandum to the board of directors dealing with internal matters will be despatched to the Minister of Transport in due course.

Is that memorandum available to the members of this committee?

Mr. EDWARDS: That will be a matter for the Minister to deal with. It has never been brought here as far as I recall.

Mr. MATTHEWS: I do not think it has ever been presented to the committee at large. I believe on one or two occasions when a request has been made for it the Minister has given it to an individual member, but I may say there is nothing of importance to parliament in that report so far as we are concerned.

Mr. HANSON (*Skeena*): I know it was called for before. I have seen it on two occasions and there is nothing in it.

Mr. MATTHEWS: In previous years there were one or two items which in our judgment it would not have been in the best interests of the Canadian National Railways to disclose, but those conditions, having to do with certain securities, have disappeared.

Mr. JACKMAN: Mr. Chairman, is an inspection of that memorandum within the terms of our reference or is it within the discretion of the Minister only as to whether we see the memorandum to the board of directors dealing with internal matters which is sent to the Minister? The management of the company must be responsible to somebody other than themselves, and it is to this committee and we in turn report to parliament. There is a separate report which may or may not contain anything of interest but it goes to the Minister and the Minister only at the moment. What I am asking is do the terms of our reference entitle us to have that confidential memorandum?

The CHAIRMAN: The fact it has been produced before would seem to indicate we can have it if it is asked for.

Mr. ROSS: Was a physical inventory taken in 1941?

Mr. MATTHEWS: Yes; 1942 was the first year since the incorporation of the system that a physical inventory was not taken that I recall, but it was purely a question of the man-power problem. I may say this, that we do not regard that as serious because in previous years the difference between the

physical inventories and the book figures were not found to have amounted to any serious proportion, but nevertheless we do have to call it to your attention that this is not represented by a physical inventory.

Mr. Ross: It will be the practice?

Mr. MATTHEWS: It has been the practice on the railways to take physical inventories.

Mr. Ross: It will be continued, I suppose.

Mr. MATTHEWS: Your auditors would have to tell you from year to year if that condition were not continued.

Mr. Ross: Is that left in the hands of the auditors or the railways?

Mr. MATTHEWS: Which?

Mr. Ross: The physical inventory.

Mr. MATTHEWS: That is in the hands of the management, of course.

Mr. Ross: As to whether it should be taken or not.

Mr. MATTHEWS: And your auditors can do no more than tell you the facts.

Mr. VAUGHAN: I think it is fair to say that the auditors have examined our accounts, as far as that goes, in respect to our stocks on hand.

Mr. MATTHEWS: Oh, yes. We say that this is based on the ledger or book balances; but in other years the physical inventories have been taken.

Mr. Ross: I think it is always a splendid idea to have a physical inventory. It is a good thing for the personnel of the railway.

Mr. MATTHEWS: We are simply reporting to you the facts.

Mr. JACKMAN: In connection with the Canadian National (West Indies) Steamships Limited, there is an item, "Subsidies to be received from the West Indies colonies in conformity with trade agreement entered into with the government of the Dominion of Canada." I am not familiar with the terms of that agreement. But in 1942 you budgeted for \$150,000 and got \$192,520. This year you budget for \$100,000. What is the general basis of payment, Mr. Vaughan?

Mr. VAUGHAN: There are certain islands which, under the Canada-West Indies trade agreement—such as Jamaica, Trinidad, Barbadoes, British Guinea, Bermuda, etc.—have contributed small subsidies in consideration of having these vessels make calls at their islands. During 1942 we were unable to make those calls, and in 1943 we will probably make still fewer calls. Some of those islands which were contributing those subsidies felt they should withdraw them, and others felt that they should reduce them because we were not making the calls as indicated in the Canada-West Indies agreement.

Mr. JACKMAN: That was why I asked the question. If you are not able to make the calls as frequently as formerly, are the West Indies bound by a hide-bound agreement, or is it one which the Canadian National (West Indies) Steamships Limited can alter itself? Are you treating the little islands fairly? That is what I am getting at.

Mr. VAUGHAN: We treat them as fairly as we can. The agreement, of course, was between the Canadian Government and the West Indies islands.

Mr. JACKMAN: Is it a hide-bound agreement which requires the Department of External Affairs to amend it?

Mr. HANSON (*Skeena*): Hitler looked after that last year.

Mr. VAUGHAN: Yes. It was passed by parliament.

Mr. JACKMAN: Is it bearing hard on the West Indies islands?

Mr. VAUGHAN: I have no doubt the West Indies islands are suffering to some extent by not having the frequency of services which they previously had.

Mr. JACKMAN: What I am getting at is this. If the West Indies islands are not getting the service which we hoped to give them, and which was perhaps the basis of the contract, without stating exactly how many calls would be made, are they paying for something they are not now getting?

Mr. VAUGHAN: I think not. I feel that those islands getting that service are very fortunate to get as many calls made as they are getting now.

Mr. JACKMAN: Are some islands paying and not getting value?

Mr. VAUGHAN: No. I do not think there is any island paying us to-day that is not getting some service.

Mr. JACKMAN: Would you say there is any island paying that is not getting good value to-day?

Mr. VAUGHAN: I think the islands are all getting good value, extraordinary value for what they are paying.

Mr. McCULLOCH: They are lucky to get a boat at all.

The CHAIRMAN: Shall we carry this report?

Mr. HANSON (*Skeena*): Carried.

The CHAIRMAN: There is the balance sheet. Is that carried?

Some Hon. MEMBERS: Carried.

The CHAIRMAN: Then pages 7 and 8.

Mr. McCULLOCH: Carried.

The CHAIRMAN: Pages 9 and 10.

Mr. McCULLOCH: Carried.

The CHAIRMAN: Page 11.

Some Hon. MEMBERS: Carried.

The CHAIRMAN: Would some one move the adoption of the report?

Mr. HANSON (*Skeena*): I move the adoption of the report.

Mr. NICHOLSON: I will second it.

The CHAIRMAN: Then we are finished. I think on behalf of the committee I can express our very great appreciation of the patience and kindness of the officers of the Canadian National railway system in connection with this investigation.

Mr. VAUGHAN: I should like to say, on behalf of the Canadian National railways and our officials, that we appreciate very much your forbearance and consideration.

Mr. SHAW: Mr. Chairman, may I ask Mr. Vaughan if he will see to it that the two matters I advanced will be taken up, and that I will get some word with respect to them later.

Mr. VAUGHAN: Yes.

Mr. GRAY: The answer is "no."

Mr. SHAW: He has already said "yes."

The CHAIRMAN: There is still a matter to be settled. I do not suppose we need to call another meeting. We have to submit a report to the House of Commons in connection with this matter. What is your wish in connection with it?

Mr. ROSS: You draft the report, Mr. Chairman.

The CHAIRMAN: Well, that is up to you. I think I want a little bit of help.

Mr. GRAY: I would move that the chairman, Mr. McCulloch, Mr. Shaw and Mr. Jackman be a committee to draw up the report.

Mr. ROSS: I second that.

The CHAIRMAN: You have heard the motion. What is your pleasure?

Motion agreed to.

The CHAIRMAN: Then a motion to adjourn is in order.

Mr. HANSON (*Skeena*): I move that we adjourn.

The committee adjourned at 5.40 p.m.

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Standing Committee 1943

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SESSION 1943

HOUSE OF COMMONS

STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

MINUTES OF PROCEEDINGS
INCLUDING THIRD AND FINAL REPORT

No. 5

TUESDAY, APRIL 13, 1943

THURSDAY, JULY 22, 1943



OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1943

REPORT TO THE HOUSE

THIRD AND FINAL REPORT

FRIDAY, July 23, 1943.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government, begs leave to present the following as its

THIRD AND FINAL REPORT

Your Committee notes with satisfaction the continued and substantial progress of the Trans-Canada Air Lines and the Canadian National Railways. From study of the reports these enterprises appear to be in a strong, healthy and satisfactory position.

Your Committee noted with approval that in arriving at the surplus earnings for the year, the Railway, by charges to operating expenses, established reserves as under:—

Reserve for deferred repairs and renewals....	\$12,850,000
Inventory reserve	3,839,000
Reserve for amortization of war projects.....	1,000,000

Most of these monies will be available for post-war reconstruction.

Your Committee is pleased to learn of the retirement of a large share of the Perpetual Debenture Stock of the Grand Trunk Pacific Railway and would recommend that efforts be made along the line of further reductions in these perpetual issues of bonded indebtedness.

Your Committee also considered and approved the depreciation accounting policy of the Railway as indicated in the report as well as the further explanations given by the officers of the Railway before the Committee.

A copy of the evidence taken is tabled herewith.

All of which is respectfully submitted.

J. P. HOWDEN,
Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, April 13, 1943.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government, met at 11 o'clock a.m.

Members present: Messrs. Donnelly, Dubuc, Emmerson, Ferland, Hanson (*York-Sunbury*), Jackman, Lockhart, McCulloch, Michaud, Sanderson, Sissons.

The Clerk informed the Committee that the Chairman, Mr. Howden, had notified him of his inability to attend.

On motion of Hon. Mr. Michaud,

Resolved,—That Mr. Donnelly take the Chair.

The acting Chairman submitted for consideration a draft of the Committee's Third Report to the House.

After a brief discussion, Mr. Hanson (*York-Sunbury*) moved that further consideration of the proposed report be deferred to a later date and that the Committee adjourn to the call of the Chair.

Motion carried.

R. ARSENAULT,
Clerk of the Committee.

THURSDAY, July 22, 1943.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government, met at 11.30 o'clock a.m., the Chairman, Mr. Howden, presiding.

Members present: Messrs. Donnelly, Hanson (*Skeena*), Howden, Jackman, McCulloch, Michaud, Nicholson, Ross (*Middlesex East*), Sanderson, Sissons.

The Committee gave further consideration to a draft of its Third and Final Report as submitted to the Committee on April 13, 1943.

The said draft report having been amended, Mr. Donnelly moved that it be adopted as amended and that the Chairman present same to the House.

Motion carried.

The Committee adjourned *sine die*.

R. ARSENAULT,
Clerk of the Committee.

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Canada... Railways and Shipping
Standing Committee 1944

(SESSION 1944
HOUSE OF COMMONS)

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STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

MONDAY, MARCH 27, 1944

TRANS-CANADA AIR LINES ANNUAL REPORT (1943)

WITNESSES:

Hon. C. D. Howe, Minister of Munitions and Supply;
Mr. H. J. Symington, K.C., President of Trans-Canada Air Lines;
Mr. W. F. English, Asst. Vice-President, Trans-Canada Air Lines;
Mr. T. H. Cooper, Comptroller, Canadian National Railways and Trans-Canada Air Lines;
Cdr. C. P. Edwards, O.B.E., Deputy Minister of Transport.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1944



ORDERS OF REFERENCE

TUESDAY, February 1, 1944.

Resolved,—That Standing Order 63 of the House of Commons, relating to the appointment of Standing Committees of the House, be amended by adding to the Standing Committees of the House for the present session a Standing Committee on Railways and Shipping owned and operated and controlled by the Government, to which will be referred accounts and estimates and bills relating thereto of the Canadian National Railways, the Canadian National (West Indies) Steamships, and Trans-Canada Air Lines for the present session, for consideration and report to the House; provided however that nothing in the resolution shall be construed to curtail in any way the full right of discussion in Committees of Supply; and that the said Committee consist of: Messrs. Donnelly, Dubuc, Durocher, Emmerson, Ferland, Gray, Hanson (*Skeena*), Harris, (*Danforth*), Hazen, Howden, Jackman, Lockhart, Michaud, McCulloch, Maybank, Nicholson, Parent, Pouliot, Roebuck, Ross (*Middlesex East*), Sander-son, Shaw and Sissons.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

Ordered,—That the Standing Committee on Railways and Shipping owned, operated and controlled by the Government, be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon; with power to send for persons, papers and records.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

MONDAY, March 20, 1944.

Ordered,—That the Annual Report of the Directors of Trans-Canada Air Lines, for the year ended December 31, 1943, tabled this day, be referred to the said Committee.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

STANDING COMMITTEE

TUESDAY, March 21, 1944.

Ordered,—That the following reports:

Annual Report of the Canadian National Railway System for the year ended December 31, 1943;

Annual Report of the Canadian National (West Indies) Steamships, Limited, for the year ended December, 1943;

Annual Report of the Canadian National Railways Securities Trust for the year ended December 31, 1943;

be referred to the said Committee, together with the following item of estimates for 1944-45:

387. Maritime Freight Rates Act, Canadian National Railways;

388. Maritime Freight Rates Act, Railways other than Canadian National;

408. Canadian National (West Indies) Steamships, Limited, capital advances;

409. Prince Edward Island Car Ferry and Terminals Deficit, 1944.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

FRIDAY, March 24, 1944.

Ordered,—That the report of the firm of George A. Touche and Company, Auditors of the Accounts of the Canadian National Railway System, Canadian National Securities Trust, Trans-Canada Air Lines and Canadian National (West Indies) Steamships Limited, for the year ended December 31, 1943, and the Financial Budget of the Canadian National Railways and the Canadian National (West Indies) Steamships Limited for the calendar year 1944, be referred to the said Committee.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

MONDAY, March 27, 1944.

Ordered,—That the said Committee be authorized to print from day to day 500 copies in English and 200 copies in French of its minutes of proceedings and evidence, and that Standing Order 64 be suspended in relation thereto.

Ordered,—That the said Committee be given leave to sit while the House is sitting.

Ordered,—That the quorum of the said Committee be reduced from 12 to 8 members.

Ordered,—That the name of Mr. Hanson (York-Sunbury) be substituted for that of Mr. Hazen on the said Committee.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORT TO THE HOUSE

MONDAY, March 27, 1944.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government, begs leave to present the following as its

FIRST REPORT

Your Committee recommends:

1. That it be authorized to print, from day to day, 500 copies in English and 200 copies in French of its minutes of proceedings and evidence, and that Standing Order 64 be suspended in relation thereto.

2. That it be given leave to sit while the House is sitting.

3. That its quorum be reduced from 12 to 8 members.

All of which is respectfully submitted.

J. P. HOWDEN,
Chairman.

Concurred in March 27, 1944

MINUTES OF PROCEEDINGS

MONDAY, March 27, 1944.

(1)

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government met this day at 11 o'clock. Mr. J. P. Howden, the Chairman, presided.

Members present: Messrs. Emmerson, Hanson (*Skeena*), Howden, Jackman, McCulloch, Maybank, Michaud, Nicholson, Parent, Sanderson, Shaw and Sissons. (12).

Honourable C. D. Howe, Minister of Munitions and Supply, was present.

The Committee decided to ask leave to print its minutes of proceedings and evidence, to sit while the House is sitting and to reduce its quorum.

On Motion of Mr. Hanson (*Skeena*), seconded by Mr. Maybank,—

Resolved,—That the Committee ask authority to print from day to day 500 copies in English and 200 copies in French of its minutes of proceedings and evidence.

On motion of Mr. McCulloch, seconded by Mr. Parent,—

Resolved,—That the Committee ask leave to sit while the House is sitting.

On motion of Mr. McCulloch,—

Resolved,—That the Committee be authorized to reduce its quorum from 12 to 8 members.

It was agreed to take up first the study of the report of the Trans-Canada Air Lines for the year ended December 31, 1943.

Mr. H. J. Symington, K.C., President of the Trans-Canada Air Lines, was called. He read his report and was examined thereon. The witness was assisted by Mr. W. English, Assistant Vice-President; Mr. T. H. Cooper, Comptroller of Canadian National Railways and Trans-Canada Air Lines, and Mr. S. May, Auditor of the C.N.R. and the T.C.A.

On motion of Mr. Nicholson and by unanimous consent of the Committee, Mr. Hanson (*York-Sunbury*), was permitted to examine the witnesses.

Hon. Mr. Howe was questioned on T.C.A. operations and matters connected therewith. He was assisted by Commander C. P. Edwards, Deputy Minister of Transport.

Mr. Symington read a supplementary statement relative to operating revenues and expenses.

The witness was retired.

At 12.55 p.m., the Committee adjourned until 4 p.m. o'clock this day.

AFTERNOON SITTING

(2)

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government, resumed at 4 o'clock p.m. Mr. J. P. Howden, the Chairman, presided.

Members present: Messrs. Donnelly, Emmerson, Hanson (*Skeena*), Hanson (*York-Sunbury*), Harris (*Danforth*), Howden, Jackman, McCulloch, Maybank, Michaud, Nicholson, Parent, Sanderson and Sissons. (14).

Mr. H. J. Symington was recalled and his examination was continued.

Messrs. T. H. Cooper and W. English were also called and supplied answers to certain questions. They were retired.

Mr. Nicholson suggested that an official of the Post Office Department be called to give evidence on the C.P. Air Lines mail rates.

Commander C. P. Edwards was called and replied to questions relating to the Department of Transport. He agreed to table the following information:—

1. Orders in Council relating to certain air routes.
2. A statement of applications for air routes licences and transfers made by C.P. Air Lines showing dates of applications.

Information concerning passenger, express and mail rates was also requested from the Board of Transport Commissioners.

Mr. Symington gave a statement on T.C.A. personnel, and was questioned thereon.

At the request of Mr. Hanson (*York-Sunbury*), witness tabled a schedule of T.C.A. personnel showing the amount paid in each category.

*Ordered,—*That the above schedule be printed as an appendix. (*See Appendix A, to-day's minutes of proceedings and evidence.*)

Consideration of the Annual Report of Trans-Canada Air Lines having been completed, on motion of Mr. McCulloch, it was adopted and Mr. Symington retired.

At 6 o'clock, p.m., the Committee adjourned until Tuesday, March 28, at 4 o'clock, p.m.

ANTONIO PLOUFFE,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

March 27, 1944.

The Standing Committee on Railways and Shipping met this day at 11 o'clock a.m. The Chairman, Mr. J. P. Howden, presided.

The CHAIRMAN: Gentlemen, we have a quorum and I think perhaps we should get down to business. May I say to the members of the committee that they are the ones who are really in charge of these proceedings, and it is up to them to decide upon what we shall do. It is well known to all members that the house is very busy with committees at the present time. I think possibly there are three matters that should be considered in the beginning, first among which is the reduction of the quorum of this committee to a workable number; secondly, I believe we should ask for the printing of our proceedings if it meets the wishes of the committee to do so; and in the third place we shall certainly have to sit while the house is in session and shall have to obtain permission in order to accomplish that end. What is your wish, gentlemen?

Mr. HANSON (*Skeena*): I move, Mr. Chairman, that we ask permission to print five hundred copies in English and two hundred in French of our day to day proceedings.

Mr. MAYBANK: I second that.

Motion agreed to.

The CHAIRMAN: Then there is the matter of asking leave to sit while the house is in session.

Mr. McCULLOCH: I move that.

Mr. PARENT: I will second it.

The CHAIRMAN: A seconder is not necessary. What is your pleasure, gentlemen?

Motion agreed to.

The CHAIRMAN: Then there is the third matter, that the committee be authorized to reduce its quorum to a certain number of members. What is the wish of the committee in this respect?

Mr. JACKMAN: How many are on the committee, and what is the present quorum?

The CHAIRMAN: The quorum is twelve, I believe.

Mr. JACKMAN: Out of how many?

The CLERK: Twenty-three.

Mr. MAYBANK: What did we have last year?

The CHAIRMAN: I think we reduced it to eight members, in order to facilitate business.

Mr. MAYBANK: We may as well have it the same as it was in other years.

Mr. PARENT: There are so many committees sitting at the same time, it is sometimes difficult to get a quorum when the number is larger.

Mr. McCULLOCH: I move that we have a quorum of eight.

The CHAIRMAN: What is your pleasure, gentlemen?

Motion agreed to.

The CHAIRMAN: Gentlemen, it is the wish of the authorities of the railway and of the T.C.A. that we go ahead in the first place with consideration of the Trans-Canada Air Lines report. If that meets with your approval, we shall proceed in that manner. Is that agreeable?

Some Hon. MEMBERS: Yes.

The CHAIRMAN: There is another matter that we ought to decide now, with regard to obtaining permission from the house to sit while the house is in session. In the event of our obtaining this permission this afternoon, is it the wish of this committee that we should reassemble this afternoon at 3.30 or 4.00 o'clock?

Mr. PARENT: It would save the time of the officials, and we have a lot of work to do. I think we should do that.

Mr. MAYBANK: Make it 4.00 o'clock.

The CHAIRMAN: All right, then. It is agreed that we shall meet at 4.00 o'clock if this request passes the house.

Mr. MAYBANK: If it carries in the house?

The CHAIRMAN: Yes. We have with us this morning Mr. H. J. Symington, K.C., President of Trans-Canada Air Lines and other officers who are appearing before the committee as witnesses. As usual, I presume we shall read the report and institute interrogations from time to time.

Mr. JACKMAN: There seems to be a little misunderstanding on the part of our group. We—that is, the Progressive Conservatives—have four members on the committee, namely, Messrs. Harris, Hazen, Jackman and Lockhart. That was the situation when Mr. Hanson was house leader of the party. Last year Mr. Hazen, who at the present time is in the hospital, dropped off and Mr. Hanson went on. I am not in a position to speak officially for the party, but I know of no change in the situation whereby Mr. Hazen was re-appointed and Mr. Hanson's name was left off. I rather suspect that what has happened in this case is what happened in one other committee. Those responsible for the appointment of the committee, whoever they were—probably the two Whips, or the Liberal Whip anyway—have taken the old list of the previous year and not the immediate past year, and put their names on. So that, with your permission, I should like to make that statement and also to have your consent to Mr. Hanson in the meantime being in a position to take part in this hearing, because I feel that there has been a mistake, although I am not officially in a position to speak.

Hon. Mr. MICHAUD: We shall correct that this afternoon by having an official motion put through the house.

Mr. JACKMAN: I am not speaking officially for the party. I have not heard anything about any change, but I think that is what has happened.

The CHAIRMAN: Let us not have any misunderstanding about it. Is it your proposition that Mr. Hanson go on this committee permanently in place of Mr. Hazen?

Mr. JACKMAN: I am not the master of our party.

Mr. PARENT: Carried.

The CHAIRMAN: We do not know what we are carrying.

Mr. JACKMAN: I suggest that Mr. Hanson be permitted to take part in the committee.

Hon. Mr. HANSON: I was told just a minute ago by the Liberal Whip that I was not a member of the committee, and it came as a great surprise, because I had notice of this meeting.

Hon. Mr. MICHAUD: As Mr. Jackman has said, I think it is mistake of the Whip.

Hon. Mr. HANSON: It may be that there was a motion put through the house on the 17th of March last.

The CHAIRMAN: Was there a vote?

Hon. Mr. HANSON: I do not remember anything about it. I do not know what happened.

The CHAIRMAN: A vote could be put through now, if it is the wish of the party.

Hon. Mr. HANSON: I do not want to take part in this committee unless it is in the regular way.

Mr. MAYBANK: You could take part this morning as though you were a member, and then get it fixed up in the house this afternoon, could you not?

The CHAIRMAN: I think if it is acceptable to the committee, we will do that.

Mr. PARENT: Have we not the authority to accept him if we want to?

The CHAIRMAN: I do not know that we can.

Hon. Mr. HANSON: No. You can grant permission to take part in the proceedings. That is about all you can do.

Mr. PARENT: We are not adding to our number.

Mr. NICHOLSON: I move that Mr. Hanson be permitted to take part in the discussion this morning.

The CHAIRMAN: Is that carried?

Motion agreed to.

Hon. Mr. HANSON: I will try to have it regularized.

The CHAIRMAN: We shall endeavour to have the matter regularized at the first sitting of the house.

Hon. Mr. MICHAUD: This afternoon.

The CHAIRMAN: All in favour?

Motion agreed to.

The CHAIRMAN: If you are ready gentlemen, we shall now proceed, and I will call upon Mr. H. J. Symington.

Will you proceed in the usual way, Mr. Symington?

Mr. SYMINGTON: Very well, Mr. Chairman.

TRANS-CANADA AIR LINES

MONTREAL, March 10, 1944.

To the Shareholders:

The Board of Directors submit herewith the annual report of Trans-Canada Air Lines for the calender year 1943.

The Act of Parliament creating Trans-Canada Air Lines as the national air service was passed in 1937, and in its six years of operation the air line has proved itself to be a dependable and valuable public servant. Handicapped as it has been, and still is, by the demands of war on personnel and equipment, it has endeavoured to maintain the highest standards of an essential industry and to lay a sound foundation for future aviation in Canada.

In 1943 its main tasks were the improvement and intensification of its Canadian and Newfoundland services, the carrying out of a heavy program of military aircraft overhaul, and the development for the Canadian government of a trans-Atlantic air service.

In June the transcontinental route was extended 46 miles to the Vancouver Island terminal at Patricia Bay, giving direct service to Victoria and other Island communities, including the many military establishments in the area.

Hon. Mr. HANSON: Is it the practice to read the whole of the thing through?

Mr. SYMINGTON: That has been the practice in the past.

Hon. Mr. HANSON: All right, go ahead. It is all right with me.

Mr. SYMINGTON: Continuing:

The company plans to provide extended services in the Maritime Provinces, including a new service via Saint John, N.B., to Halifax and Sydney, as soon as the necessary ground and communications facilities are made available. Also awaiting the installation of ground and other facilities is a through service from Winnipeg to Edmonton via Saskatoon, providing not only a shorter route between those cities but also to the Yukon and Alaska. These extensions to existing main line routes were authorized by orders in council P.C. 6256 and P.C. 6255 of August 6, 1943.

In July the government's wartime trans-Atlantic service was inaugurated, with flight crews and maintenance personnel supplied by T.C.A. In this service converted Lancaster aircraft owned by the government carry heavy loads of mail to and from the forces overseas, and other cargo of importance to the war effort as well as passengers on urgent war business.

Trans-Canada Air Lines, as the sole Canadian agency designated by the government to operate international air services, awaits with interest the results of conferences between governments on matters affecting world air policy and the completion of international agreements with regard to these services. Trans-Canada on its part is carrying on intensive research into such matters as routes and potential traffic, and is studying developments in aircraft and other equipment, communications and aids to navigation. In co-operation with the Department of Trade and Commerce and other departments of the Dominion Government it has been studying fields in which Canada would expect to participate and has already surveyed routes to the West Indies and South America.

In 1943 the number of passengers carried increased by 34 per cent, air express volume by 126 per cent, and air mail volume by 61 per cent, as compared with the preceding year. Payment to the company for the carriage of mail is based on plane miles flown and not on the poundage carried, and an increase of 61 per cent in the volume of air mail in 1943 brought to the company an increase of only 9 per cent in mail revenue. It did, however, result in a substantial growth in the revenue of the Post Office Department. Trans-Canada Air Lines, it is estimated, carried approximately 200,000,000 letters in 1943 apart from the trans-Atlantic mail service.

RESULT OF OPERATIONS

	1943	1942
Operating Revenues	\$9,379,501	\$7,337,318
Operating Expenses	8,974,902	6,628,399
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	\$ 404,599	\$ 708,919
Income Charges and Interest on Capital invested	256,710	214,004
	<hr/>	<hr/>
Surplus	\$ 147,889	\$ 494,915

Operating revenues totalled \$9,379,501, an increase of \$2,042,183 or 28 per cent over 1942. Passenger revenues increased \$1,148,146 or 37 per cent; mail revenues increased \$303,885 or 9 per cent; express revenue increased \$157,064 or 91 per cent; excess baggage revenue increased \$30,618 or 104 per cent; revenue from sales and service, and incidental revenues, increased \$402,468 or 47 per cent. Mail revenue contributed 37 per cent of the total revenue as compared with 44 per cent in 1942, 53 per cent in 1941, and 62 per cent in 1940. The rate of compensation received by the company under its contract for the carriage of air mail was lower in 1943 than in any previous year, being 42·90 cents per plane mile flown in approved mail services, as compared with 45·57 cents per plane mile in 1942, 48·16 cents in 1941 and 60 cents in 1940.

Operating expenses totalled \$8,974,902, an increase of \$2,346,503 or 35 per cent over the preceding year, reflecting the cost of handling an overall increase in the volume of traffic, extension of routes and services, and full-year operation to Newfoundland as compared with an eight-month service in 1942. There is included in 1943 operating expenses a charge of \$218,000 to provide a reserve for anticipated post-war inventory adjustments.

After the payment of interest on the company's capital and other income charges the surplus for 1943 was \$147,889.

ROUTES AND SERVICES

At December 31, 1943, Trans-Canada Air Lines (exclusive of the trans-Atlantic operation) was providing service—air mail, passenger and express—over routes totalling 4,903 miles between the Atlantic and the Pacific seaboard. This was an increase in route mileage of 46 miles as compared with December 31, 1942. The routes now operated are as follows:

	Miles
Halifax-Victoria (via Toronto)	3,301
Toronto-Windsor	206
Lethbridge-Edmonton	301
Toronto-New York	365
Moncton-St. John's, Nfld.....	730
	<hr/>
	4,903

As at December 31, 1943, daily scheduled miles flown by T.C.A. aircraft were 25,872, an increase of 3,202 miles per day, as compared with December 31, 1942. During the year, 8,963,786 miles were flown, an increase of 1,274,884, as compared with the previous year.

Due to the decision of the Board of Transport Commissioners for Canada forbidding the Company to carry local passenger and express traffic between Vancouver and Victoria, the aircraft, on twice daily round-flights, have been operating between those cities far below capacity, with resultant financial disadvantage. The operation has, however, brought about a marked improvement in the air mail service of the Dominion, and provided accelerated movement for through passengers and express between mainland points (east of Vancouver) and Vancouver Island.

To relieve the heavy traffic between the east and the west, a third daily round-flight between Toronto and Winnipeg went into effect on September 15, and schedules were adjusted to provide through service to Montreal. At the same time, service between Toronto and New York was increased from two to three round-flights daily to take care of greatly increased traffic.

Atlantic Service

The Canadian Government trans-Atlantic service, designed to facilitate mail deliveries to and from Canadian forces overseas, to move important cargo, and to carry official passengers designated by the Department of Transport and the office of the Canadian High Commissioner in the United Kingdom, began on July 22 with the first flight from Montreal to Great Britain. Service was provided by Trans-Canada Air Lines with a single Lancaster aircraft modified for transport duty. Additional Lancasters, Canadian-built, are being added to the service as quickly as possible. The conversion in our shops of bomber-type aircraft to the work of carrying heavy transport loads calls for the highest qualities of technical skill and initiative on the part of our personnel. The Company maintains an organization at the United Kingdom terminal in connection with the trans-Atlantic service. The direct route flown is approximately 3,000 miles. Intermediate stops are sometimes made. A new non-stop west-east Atlantic record between Montreal and Great Britain was established when a flight was made in 11 hours and 14 minutes. Loads grow increasingly heavy, with mail weights at times exceeding 7,000 pounds per aircraft.

Passenger Service

Revenue passengers carried by Trans-Canada Air Lines, apart from the Atlantic service, in 1943 totalled 140,276, as compared with 104,446 in 1942, an increase of 35,830 or 34 per cent. The average passenger journey was 560 miles as compared with 551 miles in 1942. Revenue per passenger averaged \$30.04.

Air Mail Service

The increase in the volume of air mail carried by Trans-Canada which has marked each previous year's operations continued throughout 1943.

During the year, 3,726,607 pounds of mail were carried, as compared with 2,308,812 pounds in 1942, an increase of 61 per cent. The average mail load per mile increased from 321 pounds in 1942 to 396 pounds in 1943. Mail revenue per pound mile decreased from 1.4 mills in 1942 to 1.08 mills in 1943. In the month of December, 1943, compensation received by the Company was at the rate of .94 mills per pound mile.

Air Express Service

The growing use of air transportation for the rapid movement of materials essential to the military forces and to war industry, was reflected in the 126 per cent increase in the volume of air express handled: 821,606 pounds in 1943 as compared with 362,837 pounds in 1942.

Airway Facilities

Although severely hampered by scarcity of materials and labour, the Department of Transport continued its program of improvements to runways, field facilities, airport lighting and navigational aids.

PROPERTY AND EQUIPMENT

The Company's plant and equipment have been well maintained and are in good condition.

The flight equipment of the Company as of December 31, 1943, consisted of:—

Twelve Lockheed 14-08 aircraft, equipped with two Pratt and Whitney Twin-row Wasp engines, each of 1,200 horsepower.

Eleven Lockheed Lodestar aircraft, also equipped with two Pratt and Whitney Twin-row Wasp engines.

The available fleet was reduced during the year by one aircraft when a forced landing was made owing to unforeseeable engine failure.

In the course of the year, exhaustive investigation of aircraft heating systems was made and modifications were undertaken further to ensure the comfort of passengers during flight in low temperatures.

To handle overhaul of military aircraft a new hangar, service building and annex are approaching completion on T.C.A. property at Winnipeg. Badly needed additional office accommodation will be provided for T.C.A. in the two-storey brick annex.

Inadequate servicing accommodation necessitated an extension to the hangar at Toronto. Floor space has been doubled and additional shop facilities provided. For the overhaul of R.C.A.F. Transport Command aircraft, work began in August on a similar extension to the hangar at Moncton.

To keep abreast of the growth of traffic and provide improved service to the public, passenger offices in various parts of the system were enlarged during the year.

Trans-Canada Air Lines developed a central reservations control for the speedy handling of its passenger bookings, which system has since been adopted by air transport lines in the United States. The central reservations control office at Toronto was moved in 1943 to more spacious premises in the Canadian National Telegraphs building on Bay street to take care of the growth in business.

SELF INSURANCE

With the expiration on April 30 of outside coverage the policy of self insurance was extended to include aircraft, passenger liability, public liability and automotive risks of the Company. The only remaining insurance carried with outside underwriters is that on buildings and their contents involving concentrations of risks. The reserve fund is invested in Government securities, and as of December 31, 1943, stands at \$647,412.

PERSONNEL

The personnel of the Company as of December 31, 1943, numbered 2,343. The proportion of women employees increased to 35 per cent from 30 per cent. Women are efficiently performing many and varied duties in the organization, taking the places of men now in the armed forces. T.C.A. has gone further in this respect than other air lines. The loss of experienced male personnel continues, however, to be serious.

An understanding has been reached with the R.C.A.F. as a result of which a supply of Air Force personnel will be made available to the Company. The new personnel will be selected from among those who have completed operational duties. This marks the beginning of a policy of rehabilitation of returned airmen.

The increased volume of air mail and air express traffic necessitated the establishment during the year of a special department within the Company to be responsible for the packaging, handling and despatch of all types of cargo.

A contributory pension plan was put into effect on July 1, 1943. Employee contributions together with the Company's matching contributions are paid monthly into a separate trust fund which is invested in Dominion Government securities or securities guaranteed by the Dominion

Government. The trust fund is administered by the Company as a trustee but is not an asset of the Company, and therefore is not included in its balance sheet. The amount of the fund at December 31, 1943, was \$187,743.05.

SPECIAL WAR ACTIVITIES

Work performed under war contract for the overhaul of military aircraft, engines, propellers, instruments and accessories was substantially increased in 1943. The instrument and accessory shops continued at full capacity and during the year the propeller and engine overhaul shops were placed on a three-shift basis.

Company station facilities throughout Canada were placed at the disposal of military aircraft requiring servicing. Dispatch, radio and station services were again provided for the transport operation of the R.C.A.F. communication squadron.

At Moncton, the expansion of hangar facilities will make it possible to offer an extensive program of maintenance and servicing to military aircraft operating in the area.

As at the end of December, nearly 300 T.C.A. employees were engaged in the conversion, servicing and maintenance of the Liberator aircraft used in the return ferry service of the British Overseas Airways Corporation. The inauguration of the Canadian government trans-Atlantic service placed the additional responsibility on this group of converting and servicing the Lancasters which are being used in that service.

At the request of the Department of Transport, the Company undertook the operation, for a time prior to the opening of navigation, of a freighting service between Moncton and Goose Bay, Labrador, for the movement of essential military material and supplies.

THE STAFF

The directors again place on record their appreciation of the loyal and efficient services of the officers and employees of the Company, who have continued to make it possible for Trans-Canada Air Lines to maintain its vital contribution to the nation's war effort. They record their pride in the 215 men and 12 women who have enlisted in the armed forces, some of whom have been decorated for outstanding achievement and some of whom, unfortunately, have sacrificed their lives.

The CHAIRMAN: I guess we will have a period of interrogation here.

Hon. Mr. HANSON: What was the extent of the heavy program of military aircraft overhauled that you referred to on the first page there? Give us some idea of what was done and where.

Mr. SYMINGTON: Contract 3910, June 21, 1941, would be Department of Munitions and Supply for repair and overhaul, engines, propellers, instruments and accessories; work performed during 1943, engines overhauled, 366; instruments overhauled, 6,496; accessories overhauled, 2,015; propellers overhauled, 999. The charges against department, cost plus, year 1943, \$502,000. Contract for British Overseas Airways Corporation for overhaul and modification of aircraft in Atlantic return service; basis, labour plus 5 per cent; charges for the year, \$499,000; total charges war contract work, \$1,001,000.

Hon. Mr. HANSON: Where was that done principally, at Winnipeg?

Mr. SYMINGTON: Winnipeg, Dorval, Malton, Moncton.

Mr. MAYBANK: What is the difference between those two contracts? I think the expression used in one was simply cost plus and in the other the expression labour plus 5 per cent?

Mr. SYMINGTON: There is a slight difference between them in the mode of expression so far as they work out. In the Department of Munitions and Supply we have labour plus but we get a higher plus as we provide supervision, and so on.

Mr. MAYBANK: Cost plus means labour plus?

Mr. SYMINGTON: Yes. The other one is contract labour plus 5 per cent, supervisory labour plus 5 per cent, cost of materials plus 5 per cent.

Mr. MAYBANK: In practice those work out to be about the same contract?

Mr. SYMINGTON: Exactly, about the same thing, yes.

Hon. Mr. HANSON: Is this supplementary to the other service?

Mr. SYMINGTON: Entirely supplementary.

Hon. Mr. HANSON: All because of the lack of other facilities?

Mr. SYMINGTON: Yes, I think so; at least there were many departments that we were doing overhaul jobs for in our shops throughout Canada, and my information is that our costs are very much below that of anybody else.

Hon. Mr. HANSON: That is very interesting. You say then that your service is very much cheaper than that of private enterprise?

Mr. SYMINGTON: I do not know. I do not know anything about private enterprise. I do not know whether government shops or other people are doing that kind of work, but naturally with the set-up and shops such as we have to have for our own work we are in a better position to do it than anybody else.

Hon. Mr. HANSON: You do not charge any overhead into this?

Mr. SYMINGTON: No, except in respect to the contract with one company.

Hon. Mr. HANSON: That would be a saving to the department concerned?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: Which private enterprise or anybody else would have to include.

Mr. SYMINGTON: That is right.

Hon. Mr. HANSON: Nothing charged for interest or anything like that?

Mr. NICHOLSON: I would like to congratulate the president, officers and employees of T.C.A. for this very remarkable report. I think people from coast to coast are very proud of this achievement. I have a map of the C.P. air lines before me and I am disturbed by the trend in air travel, and I would like the President to make some explanation as to how it happened that C.P. air lines are apparently becoming competitors of the T.C.A. The Prime Minister in outlining the policy of Canada on April 2, 1943, stated that the Trans-Canada Air Lines would continue to be an instrument of government in maintaining all trans-continental air transport service and that providing services across the international boundary line and outside of Canada; and according to the answer given to a question in the House on March 30 the C.P.R. lines have made application for licences to operate a great many routes which seem to indicate to me that they are ignoring the stated government policy as outlined by the Prime Minister.

Mr. MAYBANK: The applications were earlier, were they not?

Mr. NICHOLSON: These applications have been from January 1, 1943, it does not list them. I find that some of the routes that they were planning to operate and quite a number of them; I believe there are some 28 different routes. Here is one from Saint John to Halifax, another from Toronto to Hamilton, St. Catharines to Niagara Falls, to London, St. Thomas, Windsor and so on; and there is another one from London to Montreal, one from Toronto to Sudbury,

and one from Port Arthur to Sioux Lookout; then Winnipeg to Kenora and so forth. If you chart these out on a C.P.R. air line map you will find that should these licences be granted they will only need a very few short hops to give them a complete trans-continental service and many of these routes that I have mentioned, for example from Montreal to Toronto and Toronto to Windsor, would certainly conflict with the routes operated by T.C.A. Members will recall that when the original T.C.A. Act was before the House in 1937 the then leader of the opposition, the Hon. R. B. Bennett, speaking, said as follows:

I submit that the proper course to pursue at this time is as I have suggested. What the future may disclose I cannot say. We are on the threshold of great advances. Anyone who has followed the story of aviation in this country and abroad and who knows what man has done to overcome difficulties, how he has been able to bridge in days distances that used to take weeks, how, for example, he has been able to fly from the Cape of Good Hope to London in a few days, in contrast with the long journeys of former years, realizes that in making arrangements for flying across Canada from the Atlantic to the Pacific we are dealing with matters which are on the threshold of tremendous developments.

It may well be that we shall conclude later that it is desirable to pursue some other course. We should not now provide that the people may acquire later something that they are parting with. It should be the other way about—that we may, if we so desire, sell instead of our buying back something that we ourselves created. As we are creating it, let us hold it. As we are making it, let us keep it. And if in the fulness of time it is desirable that the management and operation should pass, let it pass. We shall have something in the way of control that will enable us to dictate policies, to provide for the hundred and one things that cannot be foreseen at the moment. And who suffers if we do that?

It is obvious that the Canadian National Railway cannot take over this enterprise except by paying for it money which we in the end will have to find. With a deficit last year of \$43,000,000 and this year estimated at \$35,000,000, it is obvious that the necessary \$5,000,000 must come from us. And as it is to come from us, let us own the enterprise now. That is what I say to the minister. I ask him to revise this bill to provide that at the start the ownership shall rest with us; that the shares and the capital stock shall be owned by the minister in right of the crown, in trust for the crown. If that is done, we shall not have parted with something which may have a value that I, for one, cannot possibly estimate.

If I jocularly referred to the difficulties of underwriting by the Canadian National Railways, I did it because the Canadian National and the government are, with respect to financial matters, one and the same. But, sir, this cannot be regarded in any sense as a party matter. It should not be. Certainly I have not suggested to any of those with whom I am associated that they should take a particular view of the matter. The opinions I express are my own, as the views expressed by the hon. member for Vancouver South are his. I have had at least some experience with respect to these matters. Perhaps it is less personal and direct than that of some others, but I know well the evils that have come upon this country through such courses as are contemplated here. It may be said that government ownership is always inefficient, that it always has been. I am not prepared to say that it need be, but even though there is inefficiency we can devise methods by which efficiency can be secured and the property retained in the people.

This is my plea to the minister. This bill need be modified only to the extent of providing that the capital stock shall be such and such and shall be provided out of the consolidated revenue of the country, which

is where it will come from in the end if the underwriting is taken up by the railway. That would enable the company to make contracts with the Canadian National Railway and the Canadian Pacific Railway if they so desired, the same as they do in other countries, to correlate their carrying activities with those of the railways. In the United States for instance, as is well known, provision is made whereby passengers may, if they so desire, travel by air during part of the day and in pullmans during the other part of the day. That might easily happen in this country in connection with both railroads; it could happen without the railroads being shareholders. If it were thought desirable that others should be brought into the enterprise as minority shareholders, that could be done.

The plea made by the hon. member for Vancouver South for those who have been pioneers in this branch of transportation is something to which I referred the other evening. I realize that we put \$250,000 into the Trans-Canada line—the Canadian National did, but we found the money—and the Canadian Pacific Railway put in \$250,000; and the contracts were cancelled within the terms of the contracts because as I said on another occasion, we could not contemplate the expenditure of hundreds of thousands of dollars to drive airplanes through dust that men could not see through, representing the spoliation of the farms of western Canada, where we had to disburse millions of dollars for relief. The service could not be continued under those conditions, and therefore within the terms of the contract we discontinued it. There are certain claims in that connection which may be of such an equitable character that the government will desire to give them consideration for the sake of the shareholders, and perhaps have the shareholders represented on the directorate for the purpose of obtaining the benefit of their wise judgment and large experience.

But I do not implore the minister not to part with this property. To-night the field is clear. To-night no franchise encumbers the ground. To-night we stand in a position to create by Act of this parliament an enterprise that will have complete control of aerial navigation between the Atlantic and Pacific. We have that right to-night. If we pass this measure and hand this right over, not to the crown but to a body of shareholders and provide that the crown may buy it back some time in the future if it so desires, we shall be going in the wrong direction. I plead with the minister to reverse the process, to own the enterprise now, and sell it later if he so desires. That is the difference between the minister's view and mine of the principles that underlie this measure.

I make this suggestion to the minister not because I can be said to be one of those who believe in public ownership and control, for I have not that reputation, but because I have found by grim experience that the condition that now exists in Canada with respect to railroads has arisen in consequence of the blunder we made. We cannot make a blunder if we keep what we have got; and what we have got to-night is control of the whole matter. It seems to me, therefore, wise to take initial steps to ensure that that control shall be retained by the action of this parliament, and if we desire later to terminate it or to part with it, we may do so through an Act of this house and as a result of the intelligent expression of opinion by members of parliament.

I have no desire to go into the matter at greater length, nor do I wish at this moment to go into details, because that will have to be done in committee. But I do hope that the minister will not part with control as this bill provides—control which in my judgment is so essential to

our success in view of all the difficulties that will confront us—and we shall then be in a position to cope with the situation in a manner that will be denied us if we adopt the principle of this measure.

I certainly am desirous of assisting the minister as far as it is in my power to do, but I cannot assist him in having parliament give its approval to this principle. In expressing these views I assure him that I am not putting them forward as embodying a council of perfection, nor am I for a moment suggesting that I know better than he does what ought to be done. I am asserting, however, that the experience of this country indicates that now is the time for us to hold what we have, just as we did with the radio, so that if ever we have to part with it, or if we desire to do so, we may at least have a clear appreciation of the value of our franchise and of our properties, and the value of the contracts that we are making in one of the branches of government for the carrying of the mails. That is all I have to say in urging the minister to weigh all these considerations before we commit ourselves to the principle of this measure.

The CHAIRMAN: I am afraid that this is outside of the terms of our reference, Mr. Nicholson.

Mr. NICHOLSON: I think not, Mr. Chairman.

The CHAIRMAN: We are getting a little bit outside of the point.

Mr. NICHOLSON: I think the President (Mr. Symington), must give some explanation as to whether the development of T.C.A. has not been fast enough or complete enough, and what steps are being taken by the T.C.A. to prevent the C.P. lines from defeating an Act of Parliament.

The CHAIRMAN: I am of the opinion myself that we are merely assembled to review the record of the year for this Trans-Canada Air Lines and not to discuss matters of policy that are not yet in effect.

Hon. Mr. HANSON: I am more or less in agreement with you, Mr. Chairman, but the President (Mr. Symington) in the brief which he presents to us made some reference to government policy. I do not want to see the discussion go so far afield as the hon. member suggests. I would like to ask him (Mr. Nicholson) this question; is this still a free country, or is it not?

Mr. NICHOLSON: This country has placed certain laws on the statute books designed to be in the best interests of the people at large.

Hon. Mr. HANSON: I should believe even if that is a law it is still open for me to apply for a bill of services; as I asked you before, is this still a free country?

Mr. NICHOLSON: As I understand the Act—

Hon. Mr. HANSON: Are we going to have everything done by parliament?

Mr. NICHOLSON: Parliament provided for a trans-continental air service to be operated by the Trans-Canada Air Lines.

Hon. Mr. HANSON: Yes.

Mr. NICHOLSON: Here is a private company that is trying to enter that field; of course, if that be the wish of the people, then the Act can be changed.

Hon. Mr. HANSON: You say so, that is not a fact.

Mr. NICHOLSON: I have here before me the application for these lines which have already been received by the government.

Hon. Mr. HANSON: And these applications have come in, and your inference is that they will be granted.

Mr. MAYBANK: We should have these lawyers as witnesses.

Hon. Mr. HOWE: Is not this a matter of government policy that should be discussed in the House? The House is the only place where it can be discussed, really. The Trans-Canada Air Lines have nothing to do with what the Canadian government do. The T.C.A. is under the direction of the department.

Mr. NICHOLSON: But the T.C.A. obviously are required to carry out government policy.

Mr. MAYBANK: That is what they have been doing.

Mr. NICHOLSON: That is what I want to know.

Mr. MAYBANK: Ask them.

Mr. NICHOLSON: Have the T.C.A. ever fully taken into consideration the need of air travel from Sydney to Saint John and across to Rimouski? As I understood the Minister of Munitions and Supply (Hon. Mr. Howe) the T.C.A. has been unable to get equipment, it has been ordered but they have not been able to get it.

Mr. MAYBANK: Permit me to ask this question of Mr. Symington; whether or not the T.C.A. have failed to carry out government policy; and if they have failed, for what reasons do you say that they are failing to carry out government policy?

Mr. SYMINGTON: No, not so far as we know. As you will recall, under the Act before any line can be opened by T.C.A. there must be a resolution and a recommendation to the Minister of Transport for Air and the Postmaster General. That was done with respect to the Saint John-Halifax-Sydney and the Winnipeg-Saskatoon-Edmonton branches. These have not been opened up yet for the best of reasons which are—

Hon. Mr. HANSON: That is by the T.C.A.? That is what you are speaking of?

Mr. SYMINGTON: Yes, by the T.C.A. There is the question of construction of additional facilities which we have not been able to secure on account of war scarcities.

Hon. Mr. HANSON: You did not have the planes either, did you?

Mr. SYMINGTON: Well, of course we could put on the service. It would largely be a diverted service. For instance, instead of sending two via Moncton, we would send one via Saint John. We would do the best we could until we could get additional planes. I want to say to the committee that we have put forth every effort to try to get new planes but have not been able to get them. It is a natural war condition. We tried to get Lockheeds from the Lockheed plant but they are not making any more commercial planes. There were I think some twelve or fifteen which have been promised to other people and we did not get them. We are endeavouring to meet that. We will meet it and we are not going to be licked by it. We will need more planes.

Mr. NICHOLSON: The minister (Hon. Mr. Howe) speaking in the House on March 7 mentioned that the C.P.R. lines assisted by the United States army had been able to get new modern planes from United States sources with the result that the equipment of that company was augmented considerably. I wonder if the President (Mr. Symington), could enlarge on that statement, and indicate if they tried sufficiently hard to get it. If the C.P. air lines could get this equipment I should think they should be able to.

Mr. SYMINGTON: I can only explain it this way; most of this equipment being made has been taken over by the United States army and we could not get any of it. We tried to get it but we didn't succeed. I do not know whether the C.P. air lines are getting it or not, I understand they got some; but, remember, they were probably doing some work for the United States' military

carrying passengers into the Northwest Territories. In any event, we did not get them, but we have not left any stone unturned to get them and they are just not obtainable.

Mr. MAYBANK: Do you know the date of these applications for franchises to which reference has been made?

Mr. SYMINGTON: They are comparatively recent.

Mr. MAYBANK: Would you put that on the record, the date of these various applications?

Mr. SYMINGTON: You mean, those made by the other people?

Mr. MAYBANK: Yes.

Mr. SYMINGTON: I think the department would have that. I would not know about it.

Mr. MAYBANK: I do not care whether it is given by the department, or who it is given by; I think it should be a matter of record here.

Hon. Mr. HOWE: The department can furnish that. The department would be the only ones who would have that information.

Mr. MAYBANK: Could it be made a matter of record here.

Hon. Mr. HOWE: I will ask the officers of the department to have that information put on the record here.

Hon. Mr. HANSON: When was the application of the C.P. air lines made for the St. John-Halifax service; and what is the routine to be gone through; and what happened that the Board of Transport Commissioners did not even entertain the application; and on what authority did the minister intervene?

Hon. Mr. HOWE: The minister did not intervene one way or the other.

Hon. Mr. HANSON: You told me in the House that you did.

Hon. Mr. HOWE: Oh, no.

Hon. Mr. HANSON: You said that you had told them not to entertain the application.

Hon. Mr. HOWE: No, no; St. John-Halifax was declared a route away back I think before the war. It was operated for a time by local service.

Hon. Mr. HANSON: For a little while, yes.

Hon. Mr. HOWE: It was closed down on account of military requirements, there was an embargo put on it, a prohibition put on that private service flying into Halifax airport.

Hon. Mr. HANSON: That is correct.

Hon. Mr. HOWE: And at that time the route was cancelled; therefore, there is no route and therefore there is nothing for the Board of Transport Commissioners to consider.

Mr. NICHOLSON: Would not that actually be a route that the T.C.A. expected to develop?

Hon. Mr. HOWE: I inquired as to that. That is a matter for the departmental authorities to discuss. It is not a route at the moment and therefore it is not disposable to anybody. I may say, however, that the C.P. air lines were not the first applicant for this route; there was an application submitted by the Maritime Central Airways, and no disposition has been made of these two applications—or rather, I should have said, of the three applications.

Hon. Mr. HANSON: Who was the third?

Hon. Mr. HOWE: The T.C.A.

Hon. Mr. HANSON: But they will have to be heard eventually?

Hon. Mr. HOWE: Yes.

Mr. MAYBANK: Is the Maritime Central Airways one of the companies which remained completely independent?

Hon. Mr. HOWE: Yes, the Maritime Central Airways. Since then the department through T.C.A. has taken over the route from Prince Edward Island to Moncton and St. John.

Mr. NICHOLSON: My purpose in raising this point was to find out from the president whether the T.C.A. are carrying out what the obvious wishes of parliament were according to the present Act. I would consider that I would be in order in discussing this matter.

Hon. Mr. HOWE: T.C.A. are moving as fast as they can. The Department of Transport are carrying the ball at the moment. They are putting in the necessary facilities which will enable T.C.A. to fly the route. T.C.A. have certain standards of safety which must be preserved; they require a radio beam and a certain standard of landing fields. We are trying to bring both routes up to this standard.

Hon. Mr. HANSON: With respect to Saint John, they are not in a position to comply with the standard?

Hon. Mr. HOWE: Yes. Facilities are being installed.

Hon. Mr. HANSON: You have not got the beam airport. With regard to the airport I understand that private citizens in Saint John brought in an aeronautical engineer from the United States and he did discover a site. You will remember that last year you promised me you would have a survey made. I think you did send some men down. Since this other gentleman has discovered this, what is the position now?

Hon. Mr. HOWE: The position is that we have approved the site. We have examined that and alternative sites, and we have decided that the one recommended by the American expert is the best site.

Hon. Mr. HANSON: That is the Loch Lamond site?

Hon. Mr. HOWE: Yes.

Hon. Mr. HANSON: What is the estimated expenditure?

Hon. Mr. HOWE: Estimates have been prepared—I do not know what they amount to. We have two or three alternate developments.

Hon. Mr. HANSON: It is expensive?

Hon. Mr. HOWE: Yes.

Hon. Mr. HANSON: Is it the policy of the government or the department to provide these sites at public expense?

Hon. Mr. HOWE: No, not for municipal airports.

Hon. Mr. HANSON: For a T.C.A. airport?

Hon. Mr. HOWE: The T.C.A. has no airports.

Hon. Mr. HANSON: They are all government airports? In other words, the government provides—

Hon. Mr. HOWE: If it is a government airport the government airports have been built only for military purposes.

Hon. Mr. HANSON: What about the Moncton airport?

Hon. Mr. HOWE: No, that is owned by the city of Moncton.

Hon. Mr. HANSON: The new one?

Hon. Mr. HOWE: Yes.

Hon. Mr. HANSON: You spent a lot of money on it.

Hon. Mr. HOWE: Yes, we have. We took over these airports at the beginning of the war by arrangement with the owners on the basis of \$1 a year with the understanding that if improvements were needed the government would make the improvements.

Hon. Mr. HANSON: That is the arrangement?

Hon. Mr. HOWE: Yes.

Hon. Mr. HANSON: That is the only way, I think, that the improvements could be made.

Hon. Mr. HOWE: Yes.

Hon. Mr. HANSON: The local authorities could not do it; they have no revenue. What is proposed with relation to Saint John?

Hon. Mr. HOWE: We have advised the city of Saint John to obtain the land; we have made no commitments beyond that; and we always have, in the past, had the same policy in assisting municipal airports, and we doubtless will again, but we have not formulated that policy for the post-war period as yet.

Hon. Mr. HANSON: So there is reasonable hope then for the building of substantial airports in the city of Saint John?

Hon. Mr. HOWE: I should hope so, yes.

Hon. Mr. HANSON: But not in the immediate future?

Hon. Mr. HOWE: Not until after the war.

Hon. Mr. HANSON: Not until after the war; that is quite definite. I appreciate the fact that the operation will be an expensive one due to the character of the terrain.

Hon. Mr. HOWE: That is right.

Hon. Mr. HANSON: However, the city of Saint John is the largest city in New Brunswick, the commercial metropolis, and it has a right to expect that it will have air transportation?

Hon. Mr. HOWE: Yes.

Hon. Mr. HANSON: Of course, that brings me to my own hamlet. We are the capital of the province and the only capital in Canada that has not got air transportation. It was suggested, and I hoped it would be possible to use Blissville. They have abandoned that idea because of the distance which is against it. The provincial government refuses to pave the highways in the hope, I suppose, that Santa Claus in Ottawa will do it; but I see no hope of getting our communication out of Fredericton via Blissville. Now, the service from Saint John to Halifax and Sydney: We are only about sixty-five miles from Saint John on the airline and we want air transportation.

Hon. Mr. HOWE: How far are you from Blissville?

Hon. Mr. HANSON: Thirty-five miles in a circuitous way, but there are only ten miles of paved road on the route. That is a long way, thirty-five miles, forty-five miles out of Saint John, and the men I have talked to have taken the view that the use of Blissville as an airport for Saint John is out of the question. So what I am pressing you to do when you build after the war—and I am not quarreling with the decision to postpone this until after the war—but I am pressing that when you do build at Saint John that you build at Fredericton. I think you can find a site there very cheaply, and I would urge the city authorities to acquire a site. I do not think we are able to finance the building of a suitable airport, but we could go as far as the site, and we will do what we reasonably can, I am sure. We do not want to be left out of the picture. Now, I do not want to put it more strongly than that, but that, I think, indicates the position which we take. I may not be here, but whoever is here I hope will continue to press for this when the opportune time arrives. I am not going to say more about it. That is a reasonable attitude to take.

The CHAIRMAN: Gentlemen, this is very interesting information but actually Mr. Symington is the witness.

Hon. Mr. HANSON: Yes, I know, but Mr. Howe is the boss; is not that right?

Hon. Mr. HOWE: No.

The CHAIRMAN: I am not so sure about that.

Hon. Mr. HOWE: The only boss is Mr. Symington.

Hon. Mr. HANSON: I think I am right. There is one question I would like to ask with respect to new services. I understand that Pan American Airways, Mr. Symington, has recently been authorized to fly the route from Seattle to Alaska. That is a new route, is it not?

Mr. SYMINGTON: No, that has been operating since before the war.

Hon. Mr. HOWE: The only concession that has been made to them was made early in the war. They first operated the route with flying boats.

Hon. Mr. HANSON: Who is the boss now?

Mr. SYMINGTON: I want you to know—

Hon. Mr. HANSON: I am only using the expression facetiously.

Mr. SYMINGTON: Before the war Pan American operated a service to Seattle by flying boats outside of Vancouver island, which they can do without asking anyone's leave, of course. As a matter of convenience they asked for the right to land and refuel in Canada but not to take passengers to and from Canada.

Hon. Mr. HANSON: So if a Canadian wants to fly up to Alaska he has to go to Seattle?

Mr. SYMINGTON: That is one way.

Hon. Mr. HANSON: I am not objecting to the traffic.

Mr. SYMINGTON: The other way would be to go on Trans-Canada planes to Lethbridge and fly up from there.

Hon. Mr. HANSON: That is another route?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: That is just a little concession for refueling?

Mr. SYMINGTON: Yes, on a temporary basis.

Hon. Mr. HANSON: With reference to the extension which you suggested between Winnipeg and Edmonton via Saskatoon, is there any service between Winnipeg and Edmonton to-day?

Hon. Mr. HOWE: No.

Mr. SYMINGTON: Not direct, there is a service from Edmonton to-day to Lethbridge and then north from Lethbridge to Edmonton.

Hon. Mr. HANSON: What service is that?

Mr. SYMINGTON: T.C.A.

Hon. Mr. HANSON: You have your own service via Lethbridge?

Mr. SYMINGTON: Quite so.

Hon. Mr. HANSON: You are proposing to establish what would be more or less a direct service?

Mr. SYMINGTON: A direct service; if you will look at the map you will see it will be by all odds the shortest line from New York to the Orient. In addition to that, it is like the railway, it is a second mainline across Canada.

Hon. Mr. HANSON: Now, is that to be postponed too until after the war?

Mr. SYMINGTON: No, no; neither of them is going to be postponed until after the war as far my understanding goes.

Hon. Mr. HANSON: You have your wires crossed, have you?

Mr. SYMINGTON: Not a bit.

Hon. Mr. HANSON: Then I did not understand Mr. Howe.

Mr. SYMINGTON: As I contemplate we shall operate just as soon as the transport department get the necessary field at Blissville and the communications, which I believe will be this summer. With respect to eastern air communication

there is a landing at Blissville as a temporary measure for the convenience of Saint John and Fredericton, if they can fly by the maritimes.

Hon. Mr. HANSON: Well, so I got my wires crossed.

Mr. SYMINGTON: You see, I am not being bossed.

Hon. Mr. HANSON: Well, we will have to let that pass.

Mr. HANSON (*Skeena*): While we have the minister and Mr. Symington here I should like to be informed on certain matters. We have airports in Edmonton, Prince George, Smithers and Terrace. Last year you did something with regard to an airport for Prince Rupert. You had three sites surveyed, and I understand an appropriation was made to have a port there. What happened to that? Has anything been done? I do not know whether the minister or Mr. Symington can answer that question?

Mr. SYMINGTON: It is not my funeral.

Hon. Mr. HOWE: I cannot say. There was a project under consideration for building a small airport at Prince Rupert. It was dropped on account of the very great expense of the project and also due to the lack of labour in that vicinity. There was a very tight labour situation at the time. When it will be reconsidered as a safe air project, I cannot say.

Mr. HANSON (*Skeena*): There is only a flight of 100 miles to the population on the coast. It seems to me that project should be given careful consideration because Prince Rupert is an important city, from every point of view.

Hon. Mr. HOWE: Of course, you have a fine highway from Prince Rupert to Terrace, 100 miles.

Mr. HANSON (*Skeena*): My namesake was criticizing the thirty-five miles to the airport in his district.

Hon. Mr. HANSON: I have not got a fine highway.

Mr. HANSON (*Skeena*): I would like to ask minister if the project is abandoned for the time being?

Hon. Mr. HOWE: It is abandoned as a military project, yes.

Mr. HANSON (*Skeena*): For the time being there is nothing being done?

Hon. Mr. HOWE: Yes.

Mr. McCULLOCH: I understand that the Maritime Airways in Prince Edward Island want to use the New Glasgow Airport as a mail project between Moncton, Charlottetown and New Glasgow, and they are quite willing to make a daily trip, and I understand that the post office authorities are quite willing to give them a contract for the mail at the same rate as they are giving to the Magdalen islands. I was wondering if there is any data on that?

Hon. Mr. HOWE: That, of course, is a project that was started in a small way before the war. It has not been the policy of the Department of Transport to ask for appropriations for the building of purely civilian airports during the war and the advancement of civil aviation will have to wait until after the war. Another reason is the lack of equipment and lack of personnel. With regard to that airport, it was definitely the intention before the war to give an air service to New Glasgow, and I think that will be one of the first projects to be revived after the war.

Mr. McCULLOCH: The field is ready now for landing of small planes as far as mail is concerned, probably with a very small expenditure to fix up the ends of the field, and there has been some money spent on it—I suppose \$50,000 or \$60,000.

Hon. Mr. HOWE: Had it not been for the war there would have been an airport there now.

Mr. McCULLOCH: We can expect the mail to go there probably within a very short time?

Hon. Mr. HOWE: After the war, anyway.

Hon. Mr. HANSON: Might I clean up the local situation. I will refer to P.C. 6256 dated August 6, 1943, which designated the service from Montreal to Fredericton and Saint John, Saint John, Halifax, and so on; that Montreal, Blissville, Halifax and Sydney be designated as a line of airports to be organized and maintained by Trans-Canada. Now, according to what Mr. Symington has told us it is the intention to put that into operation before the war is over or as soon as proper facilities are available—facilities such as the beam system and the aircraft. But with respect to Saint John it is not the intention to build the airport until after the war and then Saint John will be a regular port of call when the new airport is built and established?

Mr. SYMINGTON: That is not my statement; that is the minister's.

Hon. Mr. HANSON: The first part is yours. I just wanted to get the record straight so they will know what the position is in Saint John. That is substantially correct?

Hon. Mr. HOWE: That is correct.

Hon. Mr. HANSON: Thank you.

Mr. NICHOLSON: Did I understand you have ruled that I am not in order, Mr. Chairman?

The CHAIRMAN: No. I have not made any ruling. If you will come to your point, I shall do so.

Mr. NICHOLSON: I had finished what I was going to say. I merely thought that it was important that the president should make some statement as to whether all the proper precautions which could reasonably be taken, as dealt with by Mr. Bennett when the bill was before the house, are being taken to make sure that we do not have the misfortune of competing Trans-Canada Air Services.

THE CHAIRMAN: The chairman has made a reply to that query already, has he not?

Mr. NICHOLSON: Mr. Howe did.

The CHAIRMAN: Do you wish to press the matter any further?

Mr. NICHOLSON: The president said that it was government policy; but as I understand the duty of this committee, it is to hear the officials of the board once a year in order to find out whether or not they are carrying out government policy or the policy of parliament. I want to know whether the very large volume of requests coming from C.P.A. has resulted from T.C.A. failing to do their job. I should like the president to make some statement on that.

THE CHAIRMAN: I do not think you can expect the president to make a statement on government policy, because that is really none of his business.

Mr. NICHOLSON: I mean, as to carrying out government policy with regard to giving the most comprehensive transcontinental service as soon as the equipment is available.

The CHAIRMAN: You are asking him if they are carrying out government policy as handed over to them. He might make a statement along that line.

Hon. Mr. HANSON: That would seem to be in order.

The CHAIRMAN: I think so, too. That is the way I would rule.

Mr. NICHOLSON: That is all I should like to have.

Mr. SYMINGTON: My answer to that is that we have carried out the services which have been put under the Trans-Canada Act by order in council or which are ordered to us by the government up to the extent to which they were ready to be operated. The lines authorized in the August 6th two orders in council—Blissville-Halifax-Sydney, and Winnipeg-Saskatoon-Edmonton—have not yet

been operated although brought under T.C.A. lines, because the Department of Transport for Air has been unable to get the radio equipment and safety devices that were required in order to comply with what we considered safety operation. They will be flown in accordance with the instructions of the orders just as soon as the department of the government in charge of this tells us that these works are completed.

Hon. Mr. HANSON: That seems to me to be a very reasonable position for you to take.

Mr. NICHOLSON: That is quite satisfactory.

Hon. Mr. HANSON: I do not think anybody can question that. Is there any information you can give us or that Mr. Howe can give us as to when these facilities will be available, or do they not know?

Mr. SYMINGTON: I can only give you what the department have told me. Of course, we do not sit down on these things. The deputy minister is here. He can probably tell you because he is the source of my information.

Hon. Mr. HANSON: I should like to have somebody tell us.

Mr. SYMINGTON: We anticipate, as I understand it, that the eastern ones, Greenwood and Copper Lakes, which are the radio station beams, will be completed, they say, in the month of May; give them another month, because one cannot tell about these things.

Hon. Mr. HANSON: Where are these?

Mr. EDWARDS: They are practically finished.

Hon. Mr. HANSON: Where are they?

Mr. EDWARDS: One is Greenwood, half way between Saint John and Halifax and the other is half way between Halifax and Sydney.

Hon. Mr. HANSON: They are in the course of construction?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: They should be ready to go this summer?

Mr. EDWARDS: Yes.

Mr. EMMERSON: May I ask a question of Mr. Symington having regard to something appearing on page 7 of the report. It says, "At Moncton, the expansion of hangar facilities will make it possible to offer an extensive program of maintenance and servicing to military aircraft operating in the area."

Mr. SYMINGTON: Yes.

Mr. EMMERSON: What type of servicing is it at Lakeburn, that big plant of Clark-Ruse at which they are repairing, overhauling and rebuilding military aircraft. Facilities are there and have been developed.

Mr. SYMINGTON: All we know is that it is the headquarters of a bomber command of the R.C.A.F. They have asked us, as this building was being enlarged, if we could do some servicing of this bomber aircraft command, which we are doing for all the Atlantic routes where we could take care of it down there. That is, where they want us to do it, and we can get the men to do it, we try to do it. We are not seeking their business.

Mr. EMMERSON: There are facilities down there.

Mr. SYMINGTON: The facilities at Moncton are not sufficient for the present work.

Hon. Mr. HOWE: I might explain that Clark-Ruse was set up to handle certain types of aircraft. It carries a complete line of spare parts for certain aircraft. There are various types of aircraft down there, and I think the story is that one particular type of aircraft is handled by Trans-Canada instead of by Clark-Ruse. That is only a temporary arrangement, of course.

Hon. Mr. HANSON: The question is becoming quite acute, because I understand Clark-Ruse is laying off 300 men at Lakeburn and the union alleges that these 300 men are local men while the Ontario crowd are being kept on. I have no doubt the minister has heard about that.

Hon. Mr. HOWE: Let us let Selective Service fight that out.

Hon. Mr. HANSON: I should like you to look into that situation at Lakeburn, because, while I understand it is a private corporation and has the right, I take it, to employ or dismiss whomsoever it will, it is pretty difficult to ask 300 local men to move out and see Ontario men left on the job. The minister might use his good offices to see if that situation can be corrected.

Hon. Mr. HOWE: I will be glad to look into the matter.

Hon. Mr. HANSON: It is a rather sore spot at the moment.

Mr. NICHOLSON: On page 4 at the bottom of the page, mention is made regarding a decision of the Board of Transport Commissioners in connection with permission to carry passengers between Vancouver and Victoria. Would the president tell us what steps he takes when a decision of that sort is handed down or what can be done with reference to getting a decision of that sort reversed? I know the people who travel find it very inconvenient when they are told at Vancouver that they cannot travel by T.C.A. across to Victoria.

Hon. Mr. HANSON: He can appeal to the Governor in Council. The law provides for that.

Mr. NICHOLSON: Could the president answer the question? I should prefer to have the answer from him than from the leader of the opposition.

Mr. SYMINGTON: The situation under the present law is that the Board of Transport Commissioners decide on public necessity and convenience, and they said that in their judgment the passenger service was sufficiently served by the Canadian Pacific Air Lines and therefore they would only grant us the mail privilege in so far as that local traffic was concerned. That was the finding of the board.

Mr. NICHOLSON: Can you appeal that decision?

Mr. SYMINGTON: No, not in so far as we are concerned. The application is usually made, of course, by the municipality, and they can apply at any time to the board for reconsideration if they can show that public necessity and convenience do require that service.

Hon. Mr. HANSON: You made this application, did you not?

Mr. SYMINGTON: No.

Hon. Mr. HANSON: Was it not you?

Mr. SYMINGTON: No.

Hon. Mr. HANSON: It was done by the municipality?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: And they have not appealed?

Mr. SYMINGTON: No.

Mr. MAYBANK: Who made the application?

Mr. SYMINGTON: Nobody has appealed it, in any event.

Hon. Mr. HANSON: The application was made by the municipality?

Mr. SYMINGTON: I should like to verify that. I am not quite sure. We appeared there, certainly.

Hon. Mr. HANSON: You were at the hearing.

Mr. SYMINGTON: Yes. Our people were at the hearing.

Hon. Mr. HANSON: I suggest, Mr. Chairman, that we should get along better if we did not jump around so much. I should like to go through this thing *seriatim*.

The CHAIRMAN: Well, it is before you. It is in your hands.

Hon. Mr. HANSON: Coming to the next paragraph, government wartime trans-atlantic service, I should like, for purposes of information, to ask if that is a purely government service and T.C.A. is the agent, or is T.C.A. operating that on its own? It would appear to me it is a purely government service?

Mr. SYMINGTON: It is a purely government service in the sense that the government owns the planes,—government accounts. The accounts are not in here at all. We are under orders from the government as to what to do with the planes. All we do is operate them.

Hon. Mr. HANSON: The purpose is to provide a service for the purposes indicated?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: That has arisen out of the war, Mr. Howe?

Hon. Mr. HOWE: Yes.

Hon. Mr. HANSON: I have no objection to that. There was a question I wanted to ask. Would it be in order—and if it is not in order I do not want to press it—to tell us what the United Kingdom terminal is of that service?

Mr. SYMINGTON: Prestwick.

Hon. Mr. HOWE: I do not think that should be put in.

Hon. Mr. HANSON: I think the whole world knows it.

Mr. SYMINGTON: There is an article in the *Saturday Evening Post* about it.

Hon. Mr. HOWE: It used to be taboo.

Mr. EMMERSON: The Ireland base is only used by Pan-American?

Hon. Mr. HOWE: It is used by all flying boats; that is Pan-American and American Export.

Mr. SYMINGTON: All land planes are at the other place.

Hon. Mr. HANSON: The next paragraph is a very important paragraph.

Trans-Canada Air lines, as the sole Canadian agency designated by the government to operate international air services, awaits with interest the results of conferences between governments on matters affecting world air policy, and the completion of international agreements with regard to these services.

I understand Mr. Howe and Mr. Symington attended the conference in London. I have never yet seen any publicity given, or any report made by them. Are we entitled to hear from these two gentlemen on that question?

Hon. Mr. HOWE: That, Mr. Hanson, is purely a matter for the House of Commons. Mr. Symington attended at the conference not as a representative of Trans-Canada but as a delegate of the government of Canada. He did not go as a representative of Trans-Canada.

Hon. Mr. HANSON: When is he Dr. Jekyll and when is he Mr. Hyde?

Mr. SYMINGTON: I do not think there is any Dr. Jekyll in it.

Hon. Mr. HANSON: Were there any other representatives of Canada or Canadian interests at that conference?

Hon. Mr. HOWE: Mr. John Baldwin was there representing External Affairs, and Mr. Massey.

Hon. Mr. HANSON: Mr. Massey representing the government.

Mr. SYMINGTON: And Mr. Symington representing the government.

Hon. Mr. HANSON: There was no representation of private enterprise at that conference?

Hon. Mr. HOWE: No, from anywhere.

Hon. Mr. HANSON: Am I to understand that this committee is not entitled to hear any report as a result of that conference even though Mr. Symington refers to it in his report?

Mr. SYMINGTON: I do not.

Mr. MAYBANK: Where is it in this report?

Hon. Mr. HANSON: I read the paragraph.

Mr. MAYBANK: Where is there anything as to the result of the conference?

Hon. Mr. HANSON: He referred to it in his report.

Mr. SYMINGTON: No.

Hon. Mr. HANSON: He and the minister were the main representatives. I suggest we are entitled to some report.

The CHAIRMAN: What page are you on?

Hon. Mr. HANSON: Page 3 of the report.

Mr. HANSON (*Skeena*): It should be in the House of Commons.

Hon. Mr. HANSON: You take that view. I take the view that because it is referred to in this report it is a matter for discussion here. I think I am in order. I have not any doubt of it.

Mr. HANSON (*Skeena*): You are always in order.

Hon. Mr. HANSON: I hope so.

Hon. Mr. HOWE: The position of Trans-Canada is quite clear. It says it awaits with interest.

Hon. Mr. HANSON: I understand that, but nevertheless the president of Trans-Canada and the former Minister of Transport, who is still, as I assume, directing Trans-Canada, were the official delegates. We have not had any report. Are we to get one?

Hon. Mr. HOWE: That is a matter for the House of Commons, is it not?

Hon. Mr. HANSON: I would not think so.

Hon. Mr. HOWE: I was expecting to debate that long before this but you were not ready.

Hon. Mr. HANSON: I was ready. However, what you are telling me, if I read between the lines, is that you are going to make a report to the House of Commons. I am quite satisfied.

The CHAIRMAN: Next paragraph.

Hon. Mr. HANSON: I should like for the purpose of information to ask a question or two about the basis of compensation for the carriage of mail. Perhaps we ought to have that picture up to date from the beginning. Was it always on the basis of plane miles and not poundage? I am not familiar with it. That is why I ask.

Mr. SYMINGTON: Always has been the same; the contract is on statute.

Hon. Mr. HANSON: Based on a statute?

Mr. SYMINGTON: Based on a statute.

Hon. Mr. HANSON: And the underlying principle there is that it is based on plane miles?

Mr. SYMINGTON: Plane miles flown.

Hon. Mr. HANSON: Not on weight?

Mr. SYMINGTON: Not on weight at all.

Mr. MAYBANK: Each change we have made has necessitated a change in the statute, has it not?

Mr. SYMINGTON: No.

Mr. MAYBANK: I thought the price was set in the statute and each time a change has been made the statute was altered?

Mr. SYMINGTON: There was a temporary price set for the first two trial years. Then it was fixed upon the results. The result has been that the price has dropped from 68 cents to 42 cents.

Mr. MAYBANK: I thought we changed the statute at that time.

Hon. Mr. HANSON: I think there was something.

Mr. MAYBANK: I may be wrong.

Mr. SYMINGTON: I do not think in that respect.

Mr. JACKMAN: Is the plane mile rate going to be lowered for 1944 because of the results in 1943?

Mr. SYMINGTON: Yes, it will be lowered, but not very much. As you see, our profits are only \$187,000.

Hon. Mr. HANSON: Of course, your operating expense have just leaped.

Mr. SYMINGTON: I expected to be asked about that.

Hon. Mr. HANSON: We are going to ask you a lot later.

Mr. JACKMAN: Was there any complaint on the part of the Post Office in regard to the contingency reserve you set up out of last year's operating account which was resulted in a lower operating profit?

Mr. SYMINGTON: Yes, the Post Office Department questioned it, and the matter was taken up in great detail as to the reasons which are perfectly understandable if you want them explained to you. The policy of other airlines, American and others, was shown, and after a very thorough investigation they withdrew their objection and thought it was a proper charge.

Hon. Mr. HANSON: What is the basis now?

Mr. SYMINGTON: The basis is that because of war conditions Trans-Canada is carrying today in inventories over \$1,000,000 when they would ordinarily carry probably \$400,000. You have to ensure you are going to run your planes. Now, as you retire your planes in a certain number of years the inventories and parts are taken out if there is anything wrong with them, they are re-fixed and they are put back into inventory at a written-off amount, but ultimately some time that inventory, understandably large because of the war situation, from obsolescence, and so on, is going to be worth a great deal less money because the planes for which they were bought will be out of commission. Therefore we figured that a 20 per cent reduction because of war costs, the extra amount we had to carry for safety, should be written off. It amounted to \$218,000, much less than American lines are doing. I intend to submit another \$218,000 this year. The Post Office will probably object. It will be gone into and right, according to good business principles, will be done. That is about the situation.

Hon. Mr. HANSON: You have made that quite clear to me. It is because of the inability to get supplies and the high cost of producing supplies that you have adopted this policy?

Mr. SYMINGTON: Quite so, and it is a safe business policy.

Hon. Mr. HANSON: Are we still above the American mail subvention, and if so, how much?

Mr. SYMINGTON: As I told you last year that is always a difficult question to answer. We are above. They are on a poundage basis. Our .94 mills which we reached in December is above certain lines, the lines running between thickly populated places. It is less than smaller lines. As to the average I would say that they are probably below us some, but not very much.

Hon. Mr. HANSON: In other words, you say it is because of the density of traffic? Is that the right term?

Mr. SYMINGTON: Density of traffic, yes.

Hon. Mr. HANSON: We often hear that term. Railway people use that term a good deal. Because of the density of traffic in the United States as compared with ours, ours has to be higher?

Mr. SYMINGTON: That is the answer.

Hon. Mr. HANSON: And that will probably continue, Mr. Symington, will it not?

Mr. SYMINGTON: Well...

Hon. Mr. HANSON: In a measure?

Mr. SYMINGTON: It may: We have tried to figure out what density of traffic we would have to have in the number of trips to carry mail free some day. That can be worked out.

Hon. Mr. HANSON: That will be the millennium.

Mr. SYMINGTON: But, of course, we are always up against the fact that we pay very high duties on all our equipment and all our supplies. They cost us a great deal more than they cost them. There is also the fact we cannot ever handle except four engine planes as big planes in Canada as in the United States because we have to be able to fly to Winnipeg and perhaps farther from Toronto without landing because of our peculiar climatic conditions. We could not use the big plane that they use in the United States today. They have not got the range or speed for our particular characteristics.

Hon. Mr. HANSON: They have not got what?

Mr. SYMINGTON: Neither the range nor the speed.

Mr. MAYBANK: Dealing with the operating expenses you have mentioned you have increases in revenue but the increase in operating expenses is not proportionate.

Mr. SYMINGTON: It is greater.

Mr. MAYBANK: Revenues, \$2,042,183 and expenses, \$2,346,503; what is the explanation of that?

Mr. SYMINGTON: I think that is a very proper question, and I am prepared to answer it. On the face of it, the increased expense is out of line with the additional revenue. Our revenues increased by 28 per cent and our expenditures by 35 per cent, and that should be explained.

There are many factors which enter into the analysis:— extensions in route mileage; additional flights on existing routes; decrease in mail pay per plane mile.

Mr. MAYBANK: What is that last one?

Mr. SYMINGTON: Decrease in mail pay per plane mile; our rates went down last year. Decrease in express rates to T.C.A. under revised divisions with the express companies; they found they could not do business at the 25 per cent for collection, distribution and so on and the new contract provided for 33 per cent. Enlargement of service rendered on repair and overhaul of engines, propellers and instruments for the R.C.A.F., and for the B.O.A.C.; additional depreciation and insurance on the six new Lodestars added late in 1942 and the increased valuation of 14s converted to 14.08s; the cost of living bonus, less experienced ground personnel, pension costs, creation of a reserve for post-war inventory adjustment.

Mr. MAYBANK: Would you just stop there? As to less experienced personnel that actually added to the cost in what manner, in increases of personnel?

Mr. SYMINGTON: Increase of personnel. Naturally selective service or the war has taken a lot of our best men. We have to take less experienced personnel and break them in. A great many women came into the shops. They are very good people but they need training and it takes time and expense.

Mr. MAYBANK: Is there an increase of women?

Mr. SYMINGTON: Yes, there is 5 per cent more women.

Mr. MAYBANK: And relatively more personnel, anyway?

Mr. SYMINGTON: Yes.

Mr. MAYBANK: On account of inexperience.

Mr. SYMINGTON: Yes.

Mr. MAYBANK: I do not mean because of the increase of traffic. I mean by reason of inefficiency do you have to have more? Did you add to your wage bill that way?

Mr. SYMINGTON: Yes, and add to that the fact that the help was not as experienced as it was before, the training of them.

Mr. MAYBANK: I broke in on your statement.

Mr. SYMINGTON: Would you let me finish it?

Mr. MAYBANK: Yes.

Mr. SYMINGTON: —less experienced ground personnel, pension costs, creation of a reserve for post-war inventory adjustment and the additional expense incidental to the large number of priority passengers carried.

Hon. Mr. HANSON: Why would that be, they pay the same rate?

Mr. SYMINGTON: With the deplaning of passengers, Mr. Hanson, the paper work, the telephone work, the personnel work, the administrative work increases tremendously; all the time you have got to practically wet-nurse these people so as to keep them satisfied that they were really put off the plane for war purposes, that they were not being militated against; so it actually increases your traffic staff by very large numbers to take care of people who have to be deplaned—for instance, in respect to the arrangement for them to go on trains or to get there otherwise, and it has added substantially to our operating costs.

Hon. Mr. HANSON: That is understandable.

Mr. SYMINGTON: We must allow for the amount of \$244000 added to the insurance reserve during the year. Some of the factors help our financial results, others do not. I do not think it would be helpful to the committee if I were to attempt to say how each of these things added to or subtracted from our net results, nor is it necessary.

In my opinion the complete answer lies in the fact, mentioned in the report, that payment to the company for the carriage of mail is based on plane miles flown and not on the poundage carried.

Our passenger traffic increased in volume 34 per cent and in revenue 37 per cent; express increased in volume 126 per cent and in revenue 91 per cent; excess baggage increased in volume 67 per cent and in revenue 104 per cent; mail increased in volume 61 per cent and in revenue only 9 per cent.

There was a decrease in the rate per plane mile from 45.57 cents to 42.90 cents. This decrease in rate reduced our revenue by \$216,000 and of course is not offset by any reduction in expense. That is in plane mileage.

Mail poundage increased by 61 per cent. Now I do not suggest our mail revenue should have increased 61 per cent. If it had we should have had an additional \$1,655,000 of revenue which would have carried through to net income. Pounds carried is not the best yardstick. Mail may be carried from Montreal to Ottawa or it may be carried from Montreal to Winnipeg or Vancouver. We should use mail pound miles which takes account of both volume and distance. Using this yardstick the increased volume was 43 per cent and had we had a corresponding increase in revenue our results would have been \$1,077,000 better than they were. Now again please do not misunderstand me. I am not suggesting the post office should increase the mail rate. The rate is governed by the mail contract which is not in question. What I am explaining is why our revenues have not increased proportionately with our expense. The committee will under-

stand of course that to handle this large increase in mail necessarily means a large increase in expense. It also reduces our passenger revenue because in these days when the lanes are carrying their maximum loads an increase in mail means the deplaning of one or more passengers. People sometimes wonder how it is passengers are refused passage when there are vacant seats in the plane. The answer generally centres around the weight of mail and fuel which must be taken aboard. Planes, like ships, have their loading marks which must not be exceeded. We made an analysis of this in the month of December and found the amount of passenger revenue lost because of heavy mail loadings amounted to between \$50,000 and \$60,000.

Hon. Mr. HANSON: You have a case against the post office, haven't you?

Mr. SYMINGTON: As I say, I am not criticizing. That is all right. That is controlled in this Act and we are not complaining about that. We have a contract with the government and it is a good contract. In other words, the burden shouldered by us creates a benefit for some other department and in this case the beneficiary is the post office department, which is a department of the government.

And now, it would be interesting to you I think to hear how this compares with the earnings of the post office department relative to last year on the same basis on which it was computed; on the basis originally outlined to this committee in 1941 by Mr. Coolican, in which it was agreed that there were fifty letters to a pound and he took the figure of two cents a letter to cover the ground handling costs. That was the basis which we have always given this committee—and I will tell you this, that I think it may be too fair to us and not fair enough to the post office; but, taking it on that basis, the postal revenues for the year for mail carried by Trans-Canada was \$12,634,659. They paid us \$3,515,807.

Hon. Mr. HANSON: They are making money I would say.

Mr. SYMINGTON: Which leaves a balance of \$9,118,852. Now, if you deduct from that the two cents a letter for their overhead, ground work and so on, \$3,726,607; that leaves them a profit of \$5,392,245 and a distribution of two cents on their overhead.

Hon. Mr. HANSON: Are you taking into account the one cent extra?

Mr. SYMINGTON: The one cent extra, and that meant a million for them on that and I understood the post office get that. I have the figure here of the increase in postal rates. This is as from the 4th of April, 1943, and it accounted for \$1,454,000 of the profit of \$5,392,000.

Hon. Mr. HANSON: That accounts for it.

Mr. SYMINGTON: And now, the post office department dealt with that subsequently, although that was their original choice, it was not fair to them; and the postmaster general (Hon. Mr. Mulock) discussed it during the amendment to the Special War Revenue Act in the House of Commons on April 5, 1943, and claimed that because of certain duplication and to the fact that mail originating outside of Canada brought them no revenue—and I say that is their business and not ours—that therefore they carried certain mail from outside of the country for which they received no direct revenue—

Hon. Mr. HANSON: But they get a quid pro quo through the international postal agreement.

Mr. SYMINGTON: Then taking into account a further 30 per cent allowed for possible duplication of routes—that is cases where mail may be diverted from one route to another—that figure is reduced from \$5,392,000 to \$2,719,829. First may I say in comparing the two years, taking them as indicated first, a profit of \$5,392,245, their additional profit from that source in the year 1942 was \$1,407,702. And in the second case, instead of being merely \$719,829, it was

\$1,321,573. By either test they have increased their profits from air mail as between the two years by over a million dollars, do you see.

Hon. Mr. HANSON: Yet on the basis of operating revenue of \$9,379,501 at miles flown of 8,963,786 the revenue air mail is 1.04, that is the gross air mail revenue; and 37 per cent of that is .429 per mile, leaving you an operating revenue of .61 cents per mile; a very substantial amount of your revenue still comes from mail?

Mr. SYMINGTON: It is now 38 per cent and it is constantly getting less. Last year it was 44 per cent I think while to-day it is 38 per cent.

Hon. Mr. HANSON: I had it figured out at a little less than 37 per cent.

Mr. SYMINGTON: I think it is 38 in the report—yes, it is 38 per cent.

Hon. Mr. HANSON: Is 37 percent right?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: Therefore a very substantial part of your revenue comes from air mail.

Mr. SYMINGTON: 37 per cent. It started at 80 per cent and now it is down to 37 per cent. How much further down it will get I do not know. But you see under the scheme, the frame work, whatever we earn adds a benefit to the post office. We do not make anything.

Hon. Mr. HANSON: And it is somewhat at the expense of the travelling public.

Mr. SYMINGTON: Under the Act, Mr. Hanson, we must apply the same rates as our competitors to the south. It is provided for in the Act which leaves us exactly the same as the United States rates, and far below our competitors in Canada.

Hon. Mr. HANSON: You mean passenger rates?

Mr. SYMINGTON: That includes passenger, express and everything; it is on the same competitive basis.

Mr. MAYBANK: Does that include tax on your tickets?

Mr. SYMINGTON: Including tax, did you say—I do not know that I understand your question.

Mr. MAYBANK: I say the rates—naturally it has nothing to do with taxes.

Mr. SYMINGTON: We charge so much a mile say on a run from Winnipeg to Vancouver, the same as they charge across the line for the same distance across the continent for mileage; that is the reason why we claim that we can carry them from Seattle to New York cheaper than they can, because ours is a shorter line.

Mr. MAYBANK: And of course they have a tax and you do not.

Mr. SYMINGTON: Well, of course, that is a matter which I do not suppose we ought to discuss. My contention is that both we (air lines) and the railways are paying 100 per cent tax because we make nothing.

Hon. Mr. HOWE: All their earnings go as taxes.

Mr. MAYBANK: You could never convince me of that, Mr. Howe.

Hon. Mr. HOWE: I beg your pardon?

Mr. MAYBANK: My reference to taxes was relating to rates; I buy a ticket from here to Winnipeg and I pay so many dollars and then added to that is a tax; what I was trying to get at is they may charge the same rates, and does that take into account any additional taxation?

Hon. Mr. HOWE: Yes, there is a flat rate fixed by C.A.B. Board over there and by our Board of Transport Commissioners in Canada.

Mr. MAYBANK: But actually is it not more expensive for a passenger to arrange transportation over your line from Moncton to Vancouver than it would be for him to fly say from Detroit to Seattle on the American side?

Mr. SYMINGTON: I think not.

Hon. Mr. HANSON: They have a tax on their ticket?

Mr. SYMINGTON: They have a tax too.

Mr. MAYBANK: And it works out the same way as to the price they pay.

Mr. NICHOLSON: Is not their rate 10 per cent tax compared to our 15 per cent?

Mr. SYMINGTON: It is slightly less, I am not sure about the figures. I think it is the other way around; I think theirs is 15 per cent and ours is 10 per cent.

Hon. Mr. HANSON: Ours is 15 per cent.

Mr. SYMINGTON: Then theirs is 15 per cent now.

Hon. Mr. HANSON: Is it?

Mr. SYMINGTON: Yes.

Mr. MAYBANK: Isn't that right, isn't their rate on transportation 15 per cent?

Hon. Mr. MICHAUD: I do not recall, I could not tell you that at the moment.

Mr. NICHOLSON: I think ours is 15 per cent and I think it is 10 per cent in the United States.

Mr. COOPER: It is 15 per cent in the United States.

Mr. SYMINGTON: Yes, I think it is 15 per cent in the United States.

Mr. JACKMAN: Apparently the passenger rates on the T.C.A. are supplying a considerable proportion of your revenue, because there is an over-all profit on the line; if the postal rate goes down each year how are you going, in fairness to the travelling public and in fairness to the air mail public, how are you going to arrive at a fair rate for passenger service on the T.C.A.; are you guided entirely by the operating rates in the United States?

Mr. SYMINGTON: No. The Board of Transport Commissioners fix the rates that are maximum. The rates are fixed by them.

Hon. Mr. HANSON: By statute.

Hon. Mr. HOWE: The Trans-Canada Act provides that the rates shall be competitive with the rates of parallel lines in the United States.

Mr. JACKMAN: Are they maximum rates?

Hon. Mr. HOWE: It provides that the basic rates shall be competitive.

Mr. MAYBANK: Then apparently the Trans-Canada Air Lines cannot lower their rates unless there is a corresponding decrease in rates of the parallel line across the country to the south?

Hon. Mr. HOWE: That is right.

Hon. Mr. HANSON: Is that correct; does it have to be comparable with a comparable service in the States?

Hon. Mr. HOWE: Yes.

Mr. JACKMAN: And are the rates which are applied maximum rates or the minimum rates?

Mr. SYMINGTON: That again is a question which you will have to leave to the Board of Transport Commissioners or somebody outside of us. The Act sets forth that our rates must be comparable—and, by the way, we have no objection to that—we file our rates with the board and they approve of them.

Hon. Mr. HANSON: You say they approve of them?

Mr. SYMINGTON: They approve of them.

Hon. Mr. HANSON: And there is no decision that governs the point I have raised?

Mr. SYMINGTON: No.

Mr. JACKMAN: Is the statute based on some international agreement, that our rates be parallel to the American?

Hon. Mr. HOWE: No, no.

Mr. SYMINGTON: When we started operating this line nobody knew anything about the operation of air lines in Canada, except that we did know that we were just a small country with a small originating population; and as this was a government operation they protected themselves by saying that our rates were to be comparable to similar lines in the United States.

Hon. Mr. HOWE: The Act reads this way:—

For the transportation of passengers and goods by the corporation at tariff charges on a competitive basis with other similar transportation services in North America.

Hon. Mr. HANSON: If they reduced their rates you would be entitled to reduce yours and vice versa?

Hon. Mr. HOWE: We would have to.

Hon. Mr. HANSON: Is there a table here which shows a breakdown of these operating expenses?

Mr. SYMINGTON: I can give you a breakdown of anything you can possibly ask for.

Mr. JACKMAN: Before we leave this matter of rates, from the standpoint of public services is it better to try to make the mail rates as low as possible to the post office or should one deal fairly with the passengers who are also making the service cheaper? What are the pros and cons that the manager of an airline should consider?

Mr. SYMINGTON: It is inherent in the Act. I think that there might come a time when the mail rates might get too low, but it has not reached there yet. The criticism has been the other way. And if Canadian Air Lines is able to put in lower rates than the air lines that run through the much more productive country to the south, why it would be a very commendable enterprise, and I do not think we need to worry about it at the moment. I should say that we have not reached that stage, but if we give comparative rates with what the competitive people to the south do as to the matter of passengers we are doing pretty well.

Mr. NICHOLSON: If the volume of mail continues to increase will the situation which was described for November, when there was a loss of many thousand dollars as a result of carrying so much mail—if the volume of mail increases what will be the result?

Mr. SYMINGTON: The answer, of course, is that in that time we hope to be able to get more equipment in which case we will meet and carry everything that is ordered.

Mr. NICHOLSON: I understand from these figures that had you been able to leave some of the mail behind and carry passengers to your full capacity you would have had \$40,000 additional revenue for the month?

Mr. SYMINGTON: Yes, \$50,000. It was December I referred to, and, of course, the Christmas mail was very heavy during that week. Instead of carrying fourteen passengers on a plane for many of the trips in fact we put on a stop order and we only took four people because we were carrying so much mail, and mail has precedence, and properly so.

Mr. MAYBANK: If you have fourteen sacks of mail extra you do not get anything extra for that. You might carry two or three passengers, but that is a loss.

The CHAIRMAN: Is there no limit on your poundage of mail?

Mr. SYMINGTON: Twelve hundred pounds.

Mr. JACKMAN: I suppose the business needs of the country are greatly increased around Christmas time. I think the policy should be examined. I suspect that the great increase in mail poundage all through the Christmas period is due to greeting cards.

Mr. SYMINGTON: I do not know. It is the spirit of goodwill, anyway.

Mr. JACKMAN: I think there are many people who need to travel at that time too.

Mr. SYMINGTON: The travel is goodwill travel too. It is Christmas travel. I have only given you the facts and figures.

Mr. JACKMAN: Some of the dollar a year men might have wished to go home. That is a war effort.

Mr. NICHOLSON: When you are carrying 1200 pounds of mail what is the maximum number of passengers you can carry?

Mr. SYMINGTON: That depends upon the length of the run you are making because distance involves the carrying of more gasoline.

Mr. NICHOLSON: From Toronto to Winnipeg?

Mr. SYMINGTON: From Toronto to Winnipeg, 1,200 pounds of mail? We would not take many passengers eight out of fourteen, probably.

Hon. Mr. HANSON: There is an item here: Operating expenses, \$8,974,000 on page 4. Is that the sum total of the tables on pages 11 and 12?

Mr. SYMINGTON: Yes, those are the details of that.

Hon. Mr. HANSON: We will come to this a little later on. I would like to ask you a question with regard to the personnel in relation to the number of planes you operate?

Mr. SYMINGTON: Item 601, page 11—is that where you are?

Hon. Mr. HANSON: No, I am coming to the question of personnel.

The CHAIRMAN: I think we had better adjourn now, gentlemen, with the understanding that we will meet at 4 o'clock if the house gives us permission so to do.

The committee adjourned at 1 o'clock p.m.

AFTERNOON SESSION

The committee resumed at 4 p.m.

The CHAIRMAN: We have a quorum. We shall proceed from where we left off this morning.

Mr. JACKMAN: Where was that?

Mr. SYMINGTON: I had given my explanation of the increased expenses.

The CHAIRMAN: Page 10, was it?

Mr. SYMINGTON: Yes, the increased expenses.

Mr. JACKMAN: I suppose ordinarily in operating a line such as this you would expect that, with increasing volume, you would be able to carry a larger part of the gross to net; that is, under ordinary circumstances. The law of increasing return would apply rather than that of diminishing.

Mr. SYMINGTON: Well, generally so, yes. But of course, if you have to carry mail as is required under the particular circumstances in this case—

Mr. JACKMAN: Your costs have gone up. The point is that your costs have gone up at a faster percentage than your revenue?

Mr. SYMINGTON: Yes. That is because we have provided capacity, gasoline and everything else for the carriage of a 61 per cent increase in mail and have not got anything for it, so that the capacity has been non-remunerative capacity.

Mr. JACKMAN: If this were a private company, would you agree to the terms embodied in the present post office contract?

Mr. SYMINGTON: Only if it were a non-profit company.

Mr. JACKMAN: Yes. It is an unreasonable type of contract, is it?

Mr. SYMINGTON: It just depends on how you put it. The benefits of the contract go to the government who own the line, that is all. It does not make any difference to us. It cannot make any difference. We do not get anything anyway.

Mr. JACKMAN: I appreciate that. But for the purpose of comparison, so that the taxpayers will know whether or not you are succeeding or slipping back, it might be well if you would show a net increase in surplus or a decrease, rather than have it go through another channel, though eventually to the same source, namely the government.

Mr. SYMINGTON: It may be so. But there is not any question, Mr. Jackman, as far as I can see, that this line has produced more results this year for the money spent than it ever has.

Hon. Mr. HANSON: Just what do you mean by that?

Mr. SYMINGTON: I mean, it has given more service, has been better operated than it ever has been.

Mr. JACKMAN: That is a general statement; and we cannot quarrel with it, I do not suppose.

Mr. SYMINGTON: There are many obvious things that show it. For instance, we have run 1,300,000 more miles of mileage and our gasoline bill is not up anything like that. We are operating more efficiently, even with older planes. If you operate your machinery the way we have had to do, because we have not been able to get new planes, it means a great deal of maintenance. If you operate under the rules of running an air line, after so many hours in the air you give it what is called "check No. 4", and after so many more hours you give it check No. 5, check No. 6 and check No. 7, which means taking a plane completely apart and putting it together again. If you are running your machinery to capacity the way we are, you have to have these checks so much more frequently that it takes a great deal of maintenance to do that.

Mr. JACKMAN: Oh, yes.

Mr. SYMINGTON: So that your maintenance costs naturally are up. At the same time when you are operating your equipment to the extent that we are, and the plane is either full of people, full of mail or full of express, of course you are getting a better result—it must be so—in the ultimate value of the service you render for that amount of money.

Mr. JACKMAN: Have you any figures showing the percentage of use to capacity of the flights?

Mr. SYMINGTON: Yes, we have. It is one of those things which is comparatively relative. It is 83 per cent. That, of course, arises because you do not carry 100 per cent from Vancouver to St. John's, Newfoundland, because you are dropping off and taking on.

Hon. Mr. HANSON: It would appear to be a fair average.

Mr. SYMINGTON: Oh, very high, Mr. Hanson; very high. It could not be much higher.

Mr. NICHOLSON: It is 83 per cent this year compared with 74 per cent last year.

Mr. SYMINGTON: Yes.

Mr. JACKMAN: What page is that?

Mr. NICHOLSON: Page 10.

Hon. Mr. HANSON: It shows too that the people are going to use it more and more all the time.

Mr. SYMINGTON: Mr. Hanson, if we had the planes, I could not hesitate a minute in having four trans-Canada services; and between Montreal, Ottawa, Toronto and Windsor, I would have at least six, and I am perfectly satisfied I could fill them full.

Hon. Mr. HANSON: Yes. Of course that just means that there would be room for private competition to start up competitive lines. That is all that means.

Mr. SYMINGTON: I do not think so. I am not going to argue that with you. All I can say is that if we had the operation that I have set forth, I think we should pretty nearly make enough money to carry the mail free.

Mr. HANSON (*Skeena*): Why necessarily a private company, Mr. Chairman? If the facilities were available, why could not the present government-controlled air lines get it, without a private company getting into it?

Hon. Mr. HANSON: You are a believer in the incentive motive in your own business, the profit motive. There is nobody in this country who believes in it more than you do, my friend, and for the same reason.

Mr. HANSON (*Skeena*): I believe that many commodities belong to the people of Canada.

Hon. Mr. HANSON: If that is so, and if there is the demand for air transport that Mr. Symington would have us believe there is, there is a field for competitive services in those branches.

Mr. HANSON (*Skeena*): Why can we not extend that ourselves?

Hon. Mr. HANSON: Because you will not get, under a non-profit, government-owned system, the service that would be given where there is the urge for private profit.

Mr. HANSON (*Skeena*): The people of Canada get the benefit of the services.

Mr. SYMINGTON: I do not want to enter into this argument if you are not suggesting that they are not getting the service. But if you are suggesting that they are not getting the service, I do. I think this committee will be interested to know something about the reputation of these air lines. When I was in London, much to my surprise and gratification, the first man who came to me was from Burma, who said he had heard about this Trans-Canada operation, and wished to have the chance to study our methods and so on, he thought it was such a wonderful achievement. The next man was Sir Frederick Symes, the leading airman of India. The next were South Africans, Australians, New Zealanders. Everybody at that conference said that they considered T.C.A. the outstanding accomplishment in commercial air lines. I did not even know they knew about it.

Hon. Mr. HANSON: That is high praise. By that do you mean that a competitor could not give you as good service?

Mr. MAYBANK: Let us get the balance of this statement. It would be interesting.

Mr. SYMINGTON: I have had representatives from three of the devastated countries over inspecting our lines and the methods used, for the purpose of setting up in their own countries. The Australian man is on the way here now and asks permission to study our methods and so on; and the United States' lines admit that the operation of T.C.A. is a better operation than any of their own lines.

Hon. Mr. HANSON: I should like you to produce evidence of that.

Mr. SYMINGTON: The evidence is here. It could not be otherwise. The evidence is here in those figures.

The CHAIRMAN: I do not believe that this is the time or place to argue the question of private ownership as against public ownership.

Hon. Mr. HANSON: No, perhaps it is not. But it naturally arises out of the statement of the president.

Mr. SYMINGTON: No, no.

Hon. Mr. HANSON: That if they had the facilities they could do a huge business.

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: I say if there is a demand for this service in Canada, there is room for competitive service. That is the view I take, anyway.

Mr. SYMINGTON: Well, I would only submit this: here we have, as you know, a country four thousand miles wide.

Hon. Mr. HANSON: No, long.

Mr. SYMINGTON: Well, long, if you like; and one hundred miles wide.

Hon. Mr. HANSON: Three hundred miles wide.

Mr. SYMINGTON: And with relatively few people.

Hon. Mr. HANSON: Yes.

Mr. SYMINGTON: And of course, the more traffic you can get, particularly in the east, where the expenditure per pound handled is very great, the more of your organization and overhead you can get in that line, the better it is going to be. You must remember this. In this case we have \$4,600,000 worth of capital in Trans-Canada Air Lines. The Dominion of Canada, as the Dominion of Canada, has, I suppose, or when they pay the \$58,000,000 to the United States, they will have \$100,000,000 in it. In other words, the government are putting up 95 per cent and the air lines, whether it be private or public, 5 per cent.

Hon. Mr. HANSON: Is that so?

Mr. SYMINGTON: Roughly, I would think that. Add to that the fact that you are in the public service, the basic load is the post office, and therefore a good portion of your revenues also come from the government. Here is a line set up by the government with \$4,600,000 capital. I would not sell that line to-day if I owned it, for \$25,000,000; and it has been made basically from government revenues and government privileges.

Hon. Mr. HANSON: In other words, Mr. Symington,—

Mr. SYMINGTON: I am a private ownership man, but I say that your case as against the air line is the weakest you have in the whole controversy.

Hon. Mr. HANSON: I am glad to hear you say you are a private-ownership man.

Mr. SYMINGTON: I am.

Hon. Mr. HANSON: I look upon you as the high priest of private ownership, you and your company.

Mr. SYMINGTON: That is all right. I always have been a private-ownership man.

Hon. Mr. HANSON: I am astonished to find you defending the principle of public ownership and monopoly in the case of Trans-Canada Air Lines.

Mr. SYMINGTON: My views do not matter. But I would suggest to you that I am not one of those who state that black must be black and white must be white. I suggest, as a private-ownership man, that the private ownership people who argue from T.C.A., have picked out the one service which has more reason for being under public ownership than any other.

Hon. Mr. HANSON: That is a matter of opinion.

Mr. SYMINGTON: Well, of course.

The CHAIRMAN: Order. Let us proceed.

Mr. NICHOLSON: Mr. Chairman, did I understand that Mr. Symington—

Hon. Mr. HANSON: This is a very interesting discussion.

The CHAIRMAN: But it is the wrong place for it.

Mr. NICHOLSON: Mr. Symington said that if he were a private ownership man—

Mr. MAYBANK: He did not say if he were. He said he is.

Mr. NICHOLSON: Then may I put it another way. Mr. Symington has been very successful in a number of important fields. If he and some of his associates had gone into transport by air in 1937, and now had these assets that are shown in this report he has tabled as worth something over \$8,000,000, would he consider that he now had a \$25,000,000 asset?

Mr. MAYBANK: He said if he owned it, he would not sell it for \$25,000,000.

Mr. NICHOLSON: He would not sell it for any less than that.

Mr. JACKMAN: There is nothing to show that he is going to sell it.

Mr. NICHOLSON: I hope it is not going to be sold at all.

Mr. SYMINGTON: Unfortunately, I do not have anything to say about that.

The CHAIRMAN: Order, please.

Mr. NICHOLSON: I agree with Mr. Hanson that the pros and cons of public versus private ownership should come before this committee frequently. If there is any reason why T.C.A. should be given to private ownership or whether private firms should be able to come into competing fields, as C.P. plans on doing, this committee should be prepared, I think, to make certain recommendations. I think, in the light of this report and the record of T.C.A., it would be a great misfortune if this public utility should not be continued as such.

Hon. Mr. HANSON: I am not suggesting that it should be sold. What I am suggesting is that with a sugar-daddy like the federal government behind the T.C.A., no monopoly like that will succeed. That is true, is it not?

Mr. SYMINGTON: No.

Mr. DONNELLY: Mr. Chairman, did I understand Mr. Symington to say that the report of this company, Trans-Canada Air Lines, compares favourably with any company in America?

Mr. SYMINGTON: Absolutely.

Mr. DONNELLY: Or any company in the world?

Mr. SYMINGTON: Yes.

Mr. DONNELLY: And it is because of the comparison that this company makes with any other private company which makes him believe that public ownership is the best for them. Have you any companies that you can compare it with?

Mr. SYMINGTON: You can compare it with any of the private companies in the States or any place else; mostly the States. That is about the only place there are any. I am not going to get into an argument about it. I simply said, when it was

suggested that the services would be better if there were competition, that I cannot concede that. There is no better service that can be given than is being given by this company.

Mr. HARRIS: I wonder if the witness, who has made the statement as to the services of this company, the T.C.A., comparing favourably with United States lines, will be good enough to table the rates per plane mile flown in particular mail services in the United States and in Canada, to amplify the statement that he made that our services here were considered even better than those that are presently in operation in the United States.

Mr. SYMINGTON: I did not quite follow it. I don't think I got the question.

Mr. HARRIS: Let me enlarge on it just a little. The T.C.A. has the key to the cash box of the Post Office Department, and has had from the inception. That is recited on page 4 where the rates have come down from 60 cents to 42·9 cents and still are not down as low as obtains in the United States. Now, if we have a statement from the witness setting out the rates paid for the carriage of mail per plane mile in approved mail service in Canada and the United States then we will have some idea as to how it has been possible for us to build up a very satisfactory service in Canada which to my mind is largely due to the fact we have access to a rate per plane mile in the contract with the Post Office Department much in excess of what obtains in the United States. Therefore, I say it is not just fair to make a statement such as the witness made just now that we have made such a great accomplishment as compared with the United States. Let us put all the cards on the table and we will be able to judge on the merits.

Mr. SYMINGTON: We went into the question of mail rates as between Canada and the United States this morning. Passenger rates are the same. The average rate per passenger mile is 5·3, both in Canada and the United States. I was referring to the efficiency of the operation, and I say that it cannot be contradicted that per man, per plane, per mile flown, and the results of your power plants in your plane, it is as good in Trans-Canada or better than any other company that they can be compared with. The facts are that Trans-Canada has operated in a very modest manner. They have not any great offices. In fact, sometimes I feel somewhat ashamed about their offices. There is a policy set down with regard to enlisted men that we are to rehabilitate every one possible. We have gone as thin as it is possible in keeping down our personnel so as to be able to take as many rehabilitated airmen as we can. We are running too thin. There is no doubt about it, but it gives an operating result.

Hon. Mr. HANSON: You said it was admitted by the United States companies that you were superior to them. That is a rather astonishing statement. I would be surprised if that were true.

Mr. SYMINGTON: I will give you an example of that, Mr. Hanson. There is a gentleman who is one of the leading directors—I think the leading director—of one of the largest air lines in the United States. He happened to be going to Seattle. He wrote me and asked me if he could get a passage through, not a pass, but get a reservation. He wanted to travel both ways on our line because he wanted to compare it with their own line. He said he had heard so much about our line. I got him a reservation and he went through to Seattle. I know him very well and I asked him to let me know what criticisms he would have and how it did compare. He wrote me that he considered our operation better than their operation, that as to the action of our people, alertness, unloading, pleasant atmosphere, attention, he concurred in everything he had heard about it. He had only one suggestion to make in connection with the operation. He said, "I think you should have cigarettes for sale in your various ticket offices because on your plane when I offered my cigarettes

everybody accepted them and were complaining that they could not buy cigarettes at your fields."

Hon. Mr. HANSON: He paid a great tribute to the courtesy of your employees, and I would, too. I have travelled a great deal in the United States by rail and some by plane, and I want to say that we have it all over them as far as courtesy is concerned in our railway service. You are tolerated on some of the United States lines; that is about all.

Mr. SYMINGTON: May I suggest that what you are able to say is an indication of the alertness of our personnel.

Mr. NICHOLSON: Mr. Symington has got the rates charged for carrying mail in the United States. Could he also get us the rates charged by the C.P. Air Lines for mail carried here and also their rates per passenger?

Mr. SYMINGTON: I am not getting the rates any further than I gave them this morning. I stated with respect to the American mail rates what they were; that is, I said in the big air lines between populous regions they were still some decimal mills below us, that in the smaller air lines they were away above us, that on the average they were still something below us, but they are not comparable because they have a limit of 300 pounds that they have to take and we have a limit of 1,200 pounds.

Hon. Mr. HANSON: Is there not the further point that they are based on poundage and not on plane miles flown and therefore it is very difficult to make a comparison?

Mr. SYMINGTON: It is a different system, but I would concede that on a mill basis they are still somewhat below us, but we are catching them pretty fast.

Hon. Mr. HANSON: But there is still the question of the density of the traffic of mail and planes, too?

Mr. SYMINGTON: Of course, and being able to load your plane as you want to instead of having to give mail the preference.

Mr. NICHOLSON: Mr. Symington did not give us the rates applicable to the C.P. Air Lines here. Could he give us those now?

Mr. SYMINGTON: I do not know that.

Hon. Mr. HANSON: The post office could give that.

Mr. SYMINGTON: The post office could give that. I think they are roughly the same per plane mile as ours as far as I know.

Mr. NICHOLSON: Could we have someone from the post office?

Mr. SYMINGTON: There may be certain regions, such as running up to Norman Wells where they would be higher.

Mr. NICHOLSON: Could we have someone from the post office to give that information?

The CHAIRMAN: I suppose we could.

Hon. Mr. HANSON: As to your statement that you would not take \$25,000,000 for this outfit are you serious in that when in a year's operations you only have a surplus of \$148,000?

Mr. SYMINGTON: Mr. Hanson, you apparently did not listen to me very much this morning.

Hon. Mr. HANSON: I tried to.

Mr. SYMINGTON: I showed you where we had carried 61 per cent more mail and only got 9 per cent more revenue, and that if we had been on the basis we would have earned another \$1,600,000.

Hon. Mr. HANSON: I heard all that.

Mr. SYMINGTON: That is the answer, plus the fact that this line is in a developing state. It has got an organization set-up with technical men second

to none. It has learned the game and has a future which is very great. I know of none greater.

Hon. Mr. HANSON: Then, your valuation depends on the lifting of the circumscribing conditions under which you are operating?

Mr. SYMINGTON: Largely, quite so.

Hon. Mr. HANSON: If you can have freedom and get all the traffic will bear it might be worth \$50,000,000?

Mr. SYMINGTON: Not all that the traffic can bear in the matter of rates, but all we can carry. If we have the planes and personnel to carry all the traffic we could carry this line would be a very prosperous line. This line will be a prosperous line not to T.C.A. because, as you see, the way it was set up we could not make money, and we cannot make money as a line.

Hon. Mr. HANSON: Is that not one of the main incentives for efficiency of operation, to make money? Is not this the tendency, that if the government is going to take the profit and pay the losses what does it matter?

Mr. SYMINGTON: The government is going to take the profit or loss under the T.C.A. Act.

Hon. Mr. HANSON: Human nature is very much the same in T.C.A. as it is anywhere else, is it not, unless you have got super-men and women?

Mr. SYMINGTON: The morale of our personnel could not be any better than it is to-day.

Hon. Mr. HANSON: That is nice to hear.

Mr. MAYBANK: All of this public versus private argument—

The CHAIRMAN: Is out of order.

Mr. MAYBANK: I do not know whether it is out of order or not. I was not going to complain on that score. I do not care, but at any rate it arises this year more particularly as a result of decisions recently announced, so it seems to me. One notices a good deal in the press about encouragement having been given to private lines—the private line—go ahead and get established in certain places. For example, they bought out various lines at different times. I should like to know if we could have it on the record the times that C.P.A. did obtain its various lines which it is now, according to the application to the Transport Board, seeking to tie together. I do not know if Mr. Symington has that or whether you would suggest that it comes from some other place. I should like to have a record of that development in order to answer the charge that is made that the government encouraged the C.P.R. to go into the development and now is shutting it out from it.

Mr. SYMINGTON: I, of course, do not know what is in their minds other than that you can look at the map. The facts are that T.C.A. policy was announced before C.P.A. was ever formed.

Mr. MAYBANK: I am not suggesting that you would know what was in the minds of anyone. That was not my point. I asked whether we could get a record as to when C.P.A. obtained the different lines which it is clear they now want to link up and make a trans-Canada out of it.

Mr. SYMINGTON: I cannot give you the dates as to when they acquired these various companies which they bought but it was certainly subsequent to the announcement of T.C.A. policy.

Mr. MAYBANK: You are quite clear on that?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: Anterior to that Mr. Richardson started Canadian Airways, and were not the two railways invited to come in?

Mr. SYMINGTON: They each had stock in it.

Hon. Mr. HANSON: The railways were told they were best suited, it was thought by some people, at all events, to take up this pioneering policy.

Mr. SYMINGTON: Mr. Richardson was looking for money and he came to the traffic people to get it, naturally.

Mr. MAYBANK: I understand that C.P.A. certainly got all these lines into one system after the announcement of policy on behalf of T.C.A. For a long time, however, there was a working arrangement with Canadian Airways which was looked upon pretty well as a C.P.R. company, run by the C.P.R.

Hon. Mr. HANSON: Oh, oh.

Mr. MAYBANK: All right, that is my statement.

Hon. Mr. HANSON: They were on equal footing with the C.N.R., were they not?

Mr. MAYBANK: It does not make any difference whether they were or were not. Could we learn the date of acquisition by Canadian Airways of the various small lines because all of them went together towards the building up of the various C.P.A. routes we have to-day? I just want to find out if it is possible to get this as a matter of record in order to confirm the charge made or deny it. That is the whole point in the matter. If we cannot get it from Mr. Symington then I will ask, Mr. Chairman, can it be got from some other source and become a matter of record here?

Mr. SYMINGTON: You would have to get it from the transport department.

Mr. MAYBANK: Can we get that from the Transport Department, Mr. Edwards?

Mr. EDWARDS: We have no record of the date that the Canadian Pacific Railway purchased these lines. We have a record of the date when they applied for licences of transfer from each individual line to the C.P.A.

Hon. Mr. HANSON: It would be anterior to those dates.

Mr. MAYBANK: You can give us all the applications for franchises.

Mr. EDWARDS: The date of every licence that was applied for and issued in the Department of Transport.

Mr. MAYBANK: And the date of all transfers. That would take care of it quite well.

Mr. DONNELLY: While the Department of Transport is getting that information I wonder if they could get information also as to the price they charge per passenger per mile, or the rate for passengers and the rate for express and the rate for mail so that we will be able to compare what they charge with what the T.C.A. charges.

The CHAIRMAN: Who are "they", the Canadian Pacific Airways?

Mr. DONNELLY: Yes.

Mr. EDWARDS: The Department of Transport issues them all.

Mr. HANSON (*Skeena*): They should have the same rates for everybody. They control these for everybody?

Mr. SYMINGTON: Somebody has asked me about the Vancouver to Victoria rates. I have them. Do you want them?

Mr. HANSON (*Skeena*): Better put them on the record.

Mr. SYMINGTON: Vancouver-Victoria passenger rates prior to March 1, 1944, C.P.R. air lines \$7 and T.C.A. \$3; after March 1, 1944, C.P. \$5.50, T.C.A. \$3.

Hon. Mr. HANSON: That is competition.

Mr. SYMINGTON: Return fare \$12.60 prior to March 1, 1944; after March 1, 1944, \$9.50—that is by C.P. air lines. Trans-Canada, \$5.40.

Mr. HANSON (*Skeena*): People better use the Vancouver-Victoria T.C.A. service.

Mr. SYMINGTON: These are the tariff rates as they exist at the present time, and as they were formerly.

Hon. Mr. HANSON: And they are approved by the Board of Transport Commissioners?

Mr. SYMINGTON: Yes. I should imagine in fairness to the C.P. air lines they should have a higher tariff than we do.

Hon. Mr. HANSON: One is the short haul and the other is the longer haul; that is the answer.

Mr. SYMINGTON: That is a part of it.

Mr. JACKMAN: You said that the T.C.A. has a capital of \$5,000,000 plus a surplus?

Mr. SYMINGTON: \$4,600,000.

Mr. JACKMAN: \$4,600,000 paid by the government for plant; and that you say there that after the acquisition of these American airports in British Columbia a further sum of about \$100,000,000 was involved?

Mr. SYMINGTON: I am giving you a general figure. I think you would find that they are probably within the mark.

Mr. JACKMAN: The question I want to ask is this, does the American government have similar expenditures on their air lines and airports in the United States or is most of that expenditure financed by the private companies?

Mr. SYMINGTON: I could not tell you that; I would think it was probably mostly government. I could not tell you definitely.

Hon. Mr. HANSON: In some places it is municipalities.

Mr. SYMINGTON: Yes, take New York.

Hon. Mr. HANSON: Yes, La Guardia field.

Mr. SYMINGTON: New York spent \$80,000,000 to \$90,000,000 on La Guardia and they are now planning to spend \$200,000,000 on a new field at Idlewilde which will be the greatest field in the world. The municipality of New York is doing that.

Mr. NICHOLSON: None of the American air lines have spent large sums of money on individual airports any place?

Mr. SYMINGTON: I could not say, but I do not think so.

Mr. JACKMAN: Do you receive any meteorological or other services outside of those provided by the government and paid for by the Department of Transport which would be paid for by companies over in the States?

Mr. EDWARDS: It is 100 per cent Department of Commerce in the United States.

Hon. Mr. HANSON: Do they supply it all?

Mr. EDWARDS: It is the same as here.

Mr. JACKMAN: All aids to navigation in both countries are paid for by the governments?

Mr. SYMINGTON: By the respective governments, as Commander Edwards has told you.

Hon. Mr. HANSON: They ought to be.

Mr. NICHOLSON: After having these figures regarding the transportation costs between Victoria and Vancouver I would imagine that the T.C.A. would be making a more vigorous effort to increase the volume of the passenger traffic between these two points. I understood this morning that you had not made any representation to the Board of Transport Commissioners. It would appear to me that that would be a suitable procedure for you to follow.

Mr. SYMINGTON: We were heard, we were before the board on that matter. I might say for the information of the committee that the Board of Transport Commissioners took a legal view as to what the Act meant. We were not sufficiently sure that they were wrong, that their decision was not right according to the powers given us by the statute and there it lays. It is a government matter, it is not a matter for us.

Mr. NICHOLSON: Just on the assumption that you are operating a trans-continental service naturally the T.C.A. should carry the passengers through.

Mr. SYMINGTON: It is more than that, it is a legal question involving considerations of a very intricate nature and which I do not want to get into a discussion before this committee. It was a fair hearing. It was decided that we—as far as we were concerned, we were ready to furnish a service to the people of Vancouver Island and Victoria if they wanted it.

Hon. Mr. HANSON: I read that judgment. There was another aspect to it; among the other questions which came up was one relating to established rights, the rights to the ground—

Mr. SYMINGTON: It was on the ocean.

Hon. Mr. HANSON: Yes, I suppose that makes a difference. That was the factor, was it not?

Mr. SYMINGTON: Oh, yes. You see, there was a direction about competition. There was a private Act and a public Act, and which was to rule and so on; and the only people who have any real kick are the people who are affected, the post office department; we could earn more money which would be of benefit to the post office department if we were allowed to take that Vancouver-Victoria run.

The CHAIRMAN: Now, gentlemen, I think we are at the end of page 11.

Hon. Mr. HANSON: No, you are not, Mr. Chairman, we haven't got to page 11 yet.

The CHAIRMAN: Surely.

Mr. JACKMAN: On the general question, Mr. Symington, about the T.C.A. being divorced from its parent owner, the Canadian National Railways.

Mr. SYMINGTON: I assume that the Canadian National Railways would want a fair price for this property.

Mr. JACKMAN: What about the accounting principle involved; I imagine there would bound to be criticism—

Mr. SYMINGTON: It is no use asking me about that because I do not know.

Mr. JACKMAN: After all, you have a dual capacity; first of all as a director of the Canadian National Railways and secondly as President of the Trans-Canada Air Lines.

Mr. SYMINGTON: It has been the one capacity up-to-date.

Mr. JACKMAN: Just the one capacity?

Mr. SYMINGTON: It might be dual after this.

Mr. JACKMAN: Surely you are not going to let the government steal this line from the railway?

The CHAIRMAN: You have an idea you want to make them pay for it?

Mr. MAYBANK: The idea would be for the railway company to get credit for \$25,000,000. He has already told us that.

Mr. SYMINGTON: I would think that the thing would be pretty simple as far as our situation is concerned; the government would take over our stock and cancel the loan to the railway of \$4,600,000 and own the stock, I should imagine that would be a simple procedure.

Hon. Mr. HANSON: At that point it might be of interest to the committee to investigate a little further; in the United States they are absolutely against the railways operating air lines; is that true?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: Is that not based on this principle that it was thought that if the railways operated air lines they would use possession to protect their passengers and other revenue as railways; is not that the underlying motive?

Mr. SYMINGTON: I do not know what the motives were. That was stated to be one of them. It was a monopoly question, and as you know they are very strong in the United States against monopolies.

Hon. Mr. HANSON: I understand that that was a motive. You admit that that is a factor?

Mr. SYMINGTON: There it is anyway.

Hon. Mr. HANSON: You do not care to express an opinion on that?

Mr. SYMINGTON: Oh, no, I do not want to get into any philosophical discussion.

Hon. Mr. HANSON: It is very practical, it is not only philosophical and it may become a big issue in this country.

Mr. SYMINGTON: I know, I am not in that, I am out of it.

Hon. Mr. HANSON: If you are not, it would be the first time you were not, according to my recollection. And now, I want to ask you, I am thinking of the figure of \$218,000 (on page 4) which you say you have set up in 1943 operating expenses to provide for anticipated post-war inventory adjustment; does that mean that you anticipate a decline in the value of your inventory?

Mr. SYMINGTON: Substantially, because as I explained this morning, we are carrying an inventory of \$1,247,000 instead of half that amount because of the uncertainty of getting materials in order to operate air lines. And you may recollect that on a former occasion I said that we were very fortunate people, and very wise in having got all that we did when we did.

Hon. Mr. HANSON: You are an untaxable company, not subject to income tax the same as others. Do companies which are subject to income tax do this?

Mr. SYMINGTON: Well, of course, they could; it is a reasonable principle.

Hon. Mr. HANSON: If they could get away with it.

Mr. SYMINGTON: No, it is done in every company, Mr. Hanson. You look at the depreciation reserves of the Canadian Pacific Railway or the Canadian National Railway in the statement which you will see to-morrow or any company you are connected with—some of them, I do not know the companies—but I think you will find that all of them have been setting up a reserve for war depreciation and inventory. That is going on all the time.

Hon. Mr. HANSON: That is, you have the right.

Mr. SYMINGTON: Sure.

Hon. Mr. HANSON: So far as the tax-paying companies are concerned, might I remind you that there is a very strong limitation on the amount you can set up.

Mr. SYMINGTON: Well, there is a limitation but, of course, if companies have been depreciating to the limit, they might have a little trouble; by and large, it is an essential business procedure.

Hon. Mr. HANSON: I am all with you on that point.

Mr. SYMINGTON: As far as I know the tax authorities have recognized it.

Hon. Mr. HANSON: What is the rate you have set up?

Mr. SYMINGTON: We have written off about 20 per cent, \$218,000—roughly that.

Hon. Mr. HANSON: That is all I have to ask on that; then on the question of personnel—

The CHAIRMAN: Gentlemen, we were reading at page 12 when we left off.

Hon. Mr. HANSON: No, we have not got to page 12 yet.

The CHAIRMAN: Yes, we have.

Hon. Mr. HANSON: Excuse me, we have not; and if we have we are going to revert, so far as I am concerned.

The CHAIRMAN: All right, I don't care, so long as you keep moving.

Hon. Mr. HANSON: All right. I think we are moving pretty fast; and if it will relieve anybody I will state now that I would like to see, as far as I am concerned, the committee finish the T.C.A.; I am quite sure Mr. Symington would also.

Mr. JACKMAN: Then, as to that 35 per cent operating charge; I suppose the T.C.A. pays the ordinary taxes on gasoline?

Mr. SYMINGTON: Yes, the sales tax and all that sort of thing.

Mr. MAYBANK: What taxes are paid by private companies that you do not pay?

Mr. SYMINGTON: Purely income tax.

Mr. MAYBANK: Income tax and excess profits tax.

Mr. SYMINGTON: We can never pay any excess profits tax because we are never allowed to make any.

Mr. MAYBANK: Then those are the only taxes that you do not pay?

Mr. SYMINGTON: Those are the only taxes that we do not pay. It may be a matter of concern to the department. Of course; we contend that we pay 100 per cent of all we make to the government anyway.

Hon. Mr. HANSON: But that is not tax.

Mr. SYMINGTON: You can call it tax or whatever you like, but that is the result.

Hon. Mr. HANSON: If you make any money the government gets it.

Mr. SYMINGTON: During the balance of the short time that I will be here I want them to.

Mr. HANSON (*Skeena*): In other words, the Canadian people get any profit if there is any.

Hon. Mr. HANSON: And if there is any loss the people take it.

Mr. SYMINGTON: If there is any loss the mail rate increases.

Hon. Mr. HANSON: Whichever way you put it, it comes out of the consolidated revenue fund. Now, there is a small item of general tax there on page 12—

Mr. SYMINGTON: You refer to that property tax?

Hon. Mr. HANSON: Yes, your real estate.

Mr. SYMINGTON: I can give you that.

Hon. Mr. HANSON: It does not amount to anything.

Mr. JACKMAN: I notice an item here relating to services of American lines crossing over into Canada, and I understand that you have some routes that operate into the States now. How many routes do we have into the States now?

Mr. SYMINGTON: I have seen that stated so very often in the House that I should know it myself. The only line we run is Toronto to New York.

Hon. Mr. HANSON: That is the only one; they have about how many, about a dozen?

Mr. SYMINGTON: They have eight or nine and they are all losers.

Hon. Mr. HANSON: I think that should be rectified; it seems to me it is only one-way traffic.

Mr. SYMINGTON: Mr. Hanson, that is the very question that will have to be debated; I am very much afraid that it will be changed after the war is over.

Hon. Mr. HANSON: You are?

Mr. SYMINGTON: Yes, I am afraid so.

Hon. Mr. HANSON: Are you suggesting that they are all losers, these American lines are all losers?

Mr. SYMINGTON: With the possible exception of the Montreal-New York run.

Hon. Mr. HANSON: If they become winners, you are going to step in. Is that the idea?

Mr. SYMINGTON: We cannot do that because it depends upon what the arrangement is with the American government. We cannot step in any place except by arrangement between the two governments.

Hon. Mr. HANSON: But you could prevent anybody else from stepping in?

Mr. SYMINGTON: The government could refuse any American line the right to come into Canada, of course.

Mr. JACKMAN: For every American line that comes into Canada, we would have the correlative right to go over the same route, would we not?

Mr. SYMINGTON: No.

Mr. JACKMAN: What routes have we entering the United States just the one Toronto to New York?

Mr. SYMINGTON: That is all.

Mr. JACKMAN: And you say that they have nine against our one?

Mr. SYMINGTON: They have a short line from Seattle to Vancouver, and from a small western town up to Lethbridge, from Fargo to Winnipeg and from Minneapolis to Winnipeg, etc. I would say that our one line serves a bigger area than all of theirs put together.

Hon. Mr. HANSON: In other words, you got the best route?

Mr. SYMINGTON: Absolutely, and that is what we set out to get.

Hon. Mr. HANSON: Has there not been an American line coming up from Boston to the Maritimes?

Mr. SYMINGTON: They do run up a line from Boston to Moncton.

Hon. Mr. HANSON: And you say there is nothing in that, that is a losing line?

Mr. SYMINGTON: What I am saying now, I am talking about normal times, yes; possibly during this war period where they have been hauling a lot of people up into Newfoundland and Gander and a lot of materials, it is a different question; but there again I do not say that they will always be losers, that in all likelihood after the war when this arrangement comes up for consideration, the arrangement which exists at the present time, the indications are that there will be arrangements for reciprocal routes both ways between all points. That is if the United States want to run, say, from New York to Montreal, Canada can run from Montreal to New York and so on all across; but that is only an opinion, I do not know.

Hon. Mr. HANSON: That is a probable thing, that is all you are saying?

Mr. SYMINGTON: That is a probable thing; but remember this that coming into Canada on any of their lines all they run, is about forty or fifty miles whereas on the New York service we run 400 miles through their country. So that the 8 to 1 is not very much out of line, you see.

Hon. Mr. HANSON: It all depends on the point of view.

Mr. SYMINGTON: Yes, it all depends on the point of view, but the thing was very carefully thought out originally, and I would expect that it will be reciprocal rights after the war. I could not say; I am not so sure we will be any better off.

Mr. JACKMAN: If T.C.A. want the privilege of flying into the United States over another route to whom do they apply?

Mr. SYMINGTON: The State department in Canada has to apply to the State department in Washington; everything is between governments.

Hon. Mr. HANSON: Is that by treaty?

Mr. SYMINGTON: That is by treaty. That is the present situation.

Hon. Mr. HANSON: Is that a treaty or is that just a *modus operandi* that has been set up; because I understand that no private company can approach the American government.

Mr. SYMINGTON: No, no private company can approach the Canadian government from the United States; the approach must be through the State department.

Hon. Mr. HANSON: That is not a treaty, that is a method established by governments. Mr. Edwards ought to be able to answer the question.

Mr. EDWARDS: I gave you a statement last year which was printed by the committee—a detailed analysis of all the treaties and exchanges of notes.

Hon. Mr. HANSON: I suppose I didn't have time to read it.

Mr. EDWARDS: That is what they call exchanges of notes.

Hon. Mr. HANSON: Exchanges of notes?

Mr. EDWARDS: Yes.

Hon. Mr. HANSON: And the result is as Mr. Symington has stated?

Mr. EDWARDS: That exchange expired, offhand, I would say a year ago and it was frozen then for the balance of the war; and that is the position to-day.

Hon. Mr. HANSON: Thank you. That is the answer to the question.

Mr. JACKMAN: On this line that used to operate from Vancouver to Seattle, we abandoned that, and some private company has taken the line up now, is that so?

Mr. SYMINGTON: No, they had the rights there. The Canadian Airways had that line and asked to be relieved of it and T.C.A. took it over as a training route for its first operation and it lost money on it, and ultimately when we made the arrangement we withdrew from the Vancouver-Seattle run. It cannot be and never will be economically run, it is not a long enough run.

Mr. JACKMAN: And some American line took it up?

Mr. SYMINGTON: No, they were running then.

Mr. JACKMAN: And they are still running on that line?

Mr. SYMINGTON: They are running I think one plane a day.

Hon. Mr. HANSON: And losing money?

Mr. SYMINGTON: Oh yes, I am sure they are. All those lines made a fair show while the northwest development was going on, but I understand they are now carrying one or two passengers a trip and you cannot run an air line like that.

Mr. NICHOLSON: If you had this proposed service from Toronto to Sault Ste. Marie, and Winnipeg, Saskatoon, Edmonton, and so on, with four cities instead of seven or eight what would be the prospects of increasing the business between Toronto and New York, if there is a direct service?

Mr. SYMINGTON: If we give the best and quickest service we are hopeful that we will get the business. We flew a test flight recently with a 4-engine plane to Winnipeg in 3 hours and 15 minutes.

Mr. NICHOLSON: What is your present time—how does that compare with your present time?

Mr. SYMINGTON: Seven hours.

Mr. NICHOLSON: And from Winnipeg to Edmonton how many hours do you occupy on that leg?

Mr. SYMINGTON: Well, we have not flown that yet, but it would not be very much longer.

Mr. NICHOLSON: How many hours would you say would be required between Toronto and Edmonton if this new service was available?

Mr. SYMINGTON: Six to six hours and a half.

Mr. NICHOLSON: You would save—

Mr. SYMINGTON: It would go out in six or six and a half hours.

Hon. Mr. HANSON: It is 800 miles, I suppose.

Mr. SYMINGTON: It is more than that.

Mr. NICHOLSON: What is your present flying time from Toronto to Edmonton?

Mr. SYMINGTON: We do not go direct, we go by way of Lethbridge.

Mr. NICHOLSON: How many total hours are involved from Toronto to Edmonton?

Mr. ENGLISH: Fourteen hours and twenty-five minutes.

Mr. NICHOLSON: And you did it in six or seven hours?

Mr. ENGLISH: Six and one-half hours.

Mr. JACKMAN: I suppose inference would be drawn from the paragraph on page 4 in regard to the hop from Vancouver to Victoria that if you had the right to do the local traffic between those two points you would not have a financial disadvantage?

Mr. SYMINGTON: Right. You see the plane probably has one or two passengers who have come from away east of Victoria, but if we fill up we make \$50,000 or \$60,000 more out of those seats than out of the short run.

Mr. JACKMAN: When you took that line from the other company—

Mr. SYMINGTON: We did not take any line over from the other company.

Mr. JACKMAN: When you had your own company over the route already serviced—

Mr. SYMINGTON: No, there never was a line into Patricia Bay, there was no airport. Patricia Bay is an R.C.A.F. field, the only field upon which a land plane could land. The other service was a flying boat service to Victoria. So when the R.C.A.F. built the field upon which a land plane could land we asked them if we could have the use of it, and they agreed that we could have two planes a day each way into their military field at Patricia Bay; and the government passed an order in council putting that into the A.C.A. Act.

Mr. JACKMAN: Did you have any option after the order in council was passed whether or not you should take it or leave it?

Mr. SYMINGTON: Oh, no, we have to take it, of course.

Hon. Mr. HANSON: On page 6 you deal with the property and equipment, and you have twelve Lockheed 14-08 aircraft, equipped with two Pratt and Whitney engines and eleven Lockheed Lodestar aircraft. Now, how many of those are in operation; how many planes are you running a day and how many have you in reserve?

Mr. SYMINGTON: I am afraid we have not any in reserve.

Hon. Mr. HANSON: All are being operated?

Mr. SYMINGTON: Oh, yes, that is one of our difficulties.

Hon. Mr. HANSON: That is a handicap when you haven't got a plane in reserve.

Mr. SYMINGTON: Yes, we should have several reserve planes. If something happens, say, in Toronto, we have to fly a plane from Winnipeg to take its place and that results in a lot of expense.

Hon. Mr. HANSON: You are quite right. Now, let me refer to personnel on the same page. I see that you have a personnel of 2,343 operating twenty-three planes?

Mr. SYMINGTON: Oh, well—

Hon. Mr. HANSON: All right, now, wait a minute, I would like to have a breakdown of this personnel matter if it is not in the report, and I do not think it is. Now, a certain portion of this personnel of 2,343, I presume, is being used to handle the overhauling of military aircraft for the government?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: How many of them?

Mr. SYMINGTON: 606. May I give you a statement which I have prepared?

Hon. Mr. HANSON: Yes, I should be glad to have that.

Mr. SYMINGTON: Personnel at December 31, 1943, 2,343; 1942, 1,662.

Deduct war contract, Trans-Atlantic and return ferry service, 1943, 606—

Hon. Mr. HANSON: That is both of these trips?

Mr. SYMINGTON: Yes. 1942, 410; a total in 1943 of 1,737 and in 1942 of—

Hon. Mr. HANSON: 1,737 adapted to Trans-Canada?

Mr. SYMINGTON: I will give it to you. 1942, 1,252.

Per aircraft operated, 1943, 72; 1942, 52.

Add increase proportionate to increase in passenger revenue (traffic) of 37 per cent to your 52 and you have 21.

That gives you per aircraft operated in 1942, 73 and in 1943, 72.

It is generally accepted in the air transport industry that for each aircraft operated the operator should have three complete crews and for each man in the air there should be from six to ten ground employees.

Hon. Mr. HANSON: That seems reasonable.

Mr. SYMINGTON: As of December 31, 1943, T.C.A. had $2\frac{1}{2}$ crews per aircraft and an average of nine ground personnel to each member of a crew.

Our experience is also with due regard to the very grand work they are doing that because of physical and other causes it takes about three women to do the work of two men, and that is the situation when we have to consider that 35 per cent of our personnel are women.

Hon. Mr. HANSON: What is the standard from which you are quoting? Is that the experience of American air companies?

Mr. SYMINGTON: Yes, those are generally accepted ratios.

Hon. Mr. HANSON: That is based on the experience of American companies?

Mr. SYMINGTON: Yes.

Hon. Mr. HANSON: And you are arguing from that to your own position?

Mr. SYMINGTON: Quite so.

Hon. Mr. HANSON: That is information that I thought I would like to have.

Mr. SYMINGTON: I am glad you asked for it.

Hon. Mr. HANSON: It does not seem to me to be an undue proportion of men on the ground; the R.C.A.F. have more than that, have they not?

Mr. SYMINGTON: Oh, yes.

Hon. Mr. HANSON: About twenty?

Mr. SYMINGTON: At least: More than that. However that is considered the basis of operation in American air line operation.

Hon. Mr. HANSON: There is no reason why this company should do anything more than is necessary. I do not assume they are doing it. But we wanted that figure explained, because on the basis of it you have 100 people for every aeroplane, so you were not doing justice to yourself.

Mr. SYMINGTON: I am glad to make the explanation. Of course, even with that deduction, Mr. Hanson, we cannot quite say that 606 are all that are engaged on other work because the superintendents and supervisors inevitably in the oversight spend a good deal of their time. Our trans-Atlantic work is moving faster. Our third ship left last night and reached England this morning in twelve hours roughly, and that operation has been a most difficult one. We were operating, as you will understand, racehorse engines on a truck job, and you cannot do it. We have had the Rolls-Royce man out here just recently for the first time. We have had to do the whole show ourselves, and if you want to hear what he thinks of the T.C.A. personnel why you can talk to him.

Hon. Mr. HANSON: I am not condemning the T.C.A. personnel. I do not suggest that, even. What I was concerned about was the apparent large ratio of personnel to the number of planes flying. On that phase of it you will see my mathematics are correct.

Mr. SYMINGTON: Oh, yes. But that is the reason. We are doing all this outside work.

Hon. Mr. HANSON: One criticism was as to the large number of women you have in certain centres. I suppose it is impossible to avoid that, with the scarcity of men. That criticism came from a man, by the way.

Mr. SYMINGTON: Well, as a matter of fact, in some jobs they do better probably than men.

Hon. Mr. HANSON: The clerical staff?

Mr. SYMINGTON: The people who meet the public. I will just give you an example of what happened. A very well known lawyer—you know him very well—in Montreal travels a good deal to Toronto. He met me on the street the other day and he said, "You have Miss so and so in your office in Toronto." I said, "Yes." He said, "Any time you want to let her go, let me know. I want her." I said, "Why? How is that?" He said, "I had a reservation back home the other day, and they telephoned me that I was deplaned." He said, "I was mad enough to bite iron. But by the time that girl got through with me, it was a privilege to give it up."

Hon. Mr. HANSON: I will say that most of them are glamour girls, fine looking and all that.

Mr. SYMINGTON: They have more than glamour.

Hon. Mr. HANSON: They are a fine-looking lot.

Mr. MAYBANK: Do you know any more stories?

Hon. Mr. HANSON: I was witness to a man being deplaned down at the Chateau one day, and he was not so hot. He was really mad.

Mr. MAYBANK: Maybe he met a male steward.

Hon. Mr. HANSON: That is all I want to ask about that.

Mr. NICHOLSON: In connection with this paragraph on personnel, I have always felt that the Canadian National Railways gave a service that compared

very favourably with the service given anywhere in any country by any company. I think I agree with this lawyer who spoke to Mr. Symington.

Hon. Mr. HANSON: Oh, oh. And you a minister of the gospel!

Mr. NICHOLSON: I had a similar experience in Regina about a year ago, in the middle of the night, and I had to catch a train the next morning. I wonder if Mr. Symington has any explanation as to why the T.C.A. has the reputation of being so much more courteous than similar services on the C.N.R.?

Mr. SYMINGTON: I should think the answer is that it is a matter of the technique being different. The air line technique is to practically wet nurse everybody from the time he declares he is thinking of buying a ticket until he gets back. People like to be called up and told that the plane will be on time instead of being told that it is not on time. We have classes. We take these girls in and put them through classes in how to deal with these situations, courtesy and so on. They are educated to it. That is their job. It is a training. It is just the same as a nurse's training or anything else. A traffic woman in the T.C.A. has to go to school before she gets a job.

Mr. NICHOLSON: Is it your hope that this sort of treatment will continue throughout the years?

Mr. SYMINGTON: Oh, yes, of course.

Hon. Mr. HANSON: Oh, oh!

Mr. HANSON (*Skeena*): If it is in order, let us all start to tell stories. I think we are absolutely off the subject.

The CHAIRMAN: We cannot get any definite order here, but we are making headway just the same.

Hon. Mr. HANSON: I think it is highly entertaining. I would not be deprived of it for anything. Do not frown so upon me, Mr. Hanson.

Mr. MAYBANK: I have been wondering which one of these Hansons is the chief of the clan.

Mr. HANSON (*Skeena*): Let us get through with what we are supposed to do.

Hon. Mr. HANSON: Well, let us come to "personnel".

The CHAIRMAN: I would suggest this. Honourable Mr. Hanson rather took me to task this morning because we were jumping all over the book. I rather think he himself has been guilty of jumping all over this book this afternoon.

Hon. Mr. HANSON: I will not admit it. I am like Mr. Symington. I make no admissions against interest. The lawyers will understand that phrase.

Mr. JACKMAN: In order to pick up one or two things, under "Atlantic Service" you mentioned—

Mr. HANSON (*Skeena*): What page are you on?

Mr. JACKMAN: Page 5, "Atlantic Service."

Mr. MAYBANK: He is jumping back.

Mr. JACKMAN: You went too fast for me. You mentioned that these Lancasters are completed in our shops. Can you not specify, when these Lancasters are being manufactured in Canada, that you want them for this particular purpose in place of for military purposes?

Mr. SYMINGTON: You can, to a certain extent; that is, in the construction of the plane itself you can leave the turret off and make those structural changes.

Mr. EMMERSON: Leave the guns out.

Mr. SYMINGTON: Take the guns out and all that sort of thing. What happens now is this. With the last two, we sent our own engineering crews to Malton where those planes are built, to put in the equipment which is required

for the commercial plane there instead of at Dorval where we were very much crowded for space. But there are all sorts of safety devices, instruments and so on and engine changes that have to be made to convert. As I say, a plane that was built for speed, to go into a territory and out again and back into the maintenance shop, has requirements quite different from one that has to do a long steady grind twice a week across the ocean—it is a different breed of cat and there is a good deal of changing and converting to do.

Mr. EMMERSON: Did you say there were engine changes?

Mr. SYMINGTON: Engine changes, yes—engine adjustments and changes. The engines come for the bomber in pairs, in groups. Those engines, as I say, were built for speed, dashes running at great speed. You cannot cross the ocean with them at that speed because you cannot carry enough gasoline to do it. So you have to operate them at a cruising speed; and the combustion and the points and so on in the engines had to be completely readjusted, mostly by trial and error, in order to arrive at a safe cruising operation across the ocean.

Hon. Mr. HANSON: That sounds reasonable. At some time would you hand in a breakdown of the categories of the personnel?

Mr. SYMINGTON: I could give you that now, I think.

Hon. Mr. HANSON: Very well. I am not asking for individual salaries, but rather the amounts paid out in each category. How many categories are there?

Mr. SYMINGTON: It is quite a long list.

Hon. Mr. HANSON: Perhaps it could be handed in and put on the record.

Mr. SYMINGTON: All right. I will hand it in.

Hon. Mr. HANSON: I cannot follow it when you are just reading it off, but I can read it over afterwards.

Mr. SYMINGTON: I will hand it in. That is the whole employment that I have given you.

Hon. Mr. HANSON: Divided into categories, if that is the right way to express it.

Mr. SYMINGTON: The categories are under general office staffs, flight and dispatch, captains, first officers, first officers in training, communications and stations, maintenance and overhaul and so on. There is a complete accurate record.

Hon. Mr. HANSON: That will go into the record, then.

(See Appendix A)

Mr. JACKMAN: Dealing with this paragraph on self insurance on page 6, do you feel that the line can have a big enough average and enough diversification to carry its own insurance? I am thinking of a motor car judgment in Ontario against one man, which went as high as \$120,000. If you had a plane loaded with expensive executives who were killed, you would find that reserve of \$647,000 would be gone and a lot more.

Mr. SYMINGTON: That may be so. But I think we were rather pressed by this committee—at any rate, we did last year go in for self insurance except for the hangars where there is a tremendous concentrated risk from fire; and we built up a reserve fund, charging regular rates, to \$647,000, which we meet as insurers. If we could keep that up for a year or two, we would be in pretty fair shape to take care of things.

Mr. JACKMAN: Can you tell me what your gross premiums or your gross charges on operations for insurance have been, and how much has been paid for risks?

Mr. SYMINGTON: I can give you full particulars.

Mr. JACKMAN: Perhaps you could tell me whether or not the lines in the United States carry all their liability themselves?

Mr. SYMINGTON: None that I know of, sir. They did start, I think, following our move, a sort of co-operative arrangement whereby they formed a company, the insurance companies and the air line companies, in which they each had stock; something like the grain insurance company in Canada.

Mr. HANSON (*Skeena*): Last year, Mr. Chairman, the matter of the accident at Armstrong was brought before this committee, and there were some of the claims not settled at that time. Were they finally settled?

Mr. SYMINGTON: Yes. They were all settled.

Mr. MAYBANK: I have a question I was going to ask, but perhaps you were going to answer something else first. Could you give the total overall cost of that Armstrong accident? Maybe you are going to answer something else first.

Mr. SYMINGTON: It is two or three years ago. I cannot give it to you now. The insurance company paid it. We did not. We were insured at that time.

Mr. MAYBANK: Oh yes. That is all right.

Mr. SYMINGTON: Do you want this insurance, Mr. Jackman? If so, here it is.

Flying equipment, 1943, we paid the underwriters, \$24,900, self insurance, \$267,554; public liability, we paid the underwriters, \$3,267, and the self insurance fund, \$6,612; passenger liability, we paid the underwriters, \$32,500, self insurance, \$68,457; buildings and contents, material and ground equipment, we paid the underwriters, \$11,721, self insurance, \$2,332; employer's liability, underwriters nothing, self insurance, \$43,167; fidelity bonds, \$416 underwriters, no self insurance; group life, T.C.A. proportion, \$13,308 paid underwriters. That is a life insurance policy we took out for our employees.

Mr. JACKMAN: My question really goes back to what Mr. Maybank had to say. I was wondering how much liability had been incurred to pay for losses as against how much had been set up. Of course, we have to find out what the insurance companies have paid. It was obviously a losing job for them on the crash at Armstrong.

Mr. SYMINGTON: Oh, they made money. They came around when we did this and quoted rates very materially lowered if we would leave the business with them.

Mr. HARRIS: The total comes to a good deal more than the 1943 amount of \$293,347.70. Where does the balance appear?

Mr. SYMINGTON: Pardon?

Mr. HARRIS: The total of what you just recited?

Mr. SYMINGTON: The total of what I just recited was \$86,000 for underwriters, \$388,000 for self insurance, a total of \$474,000.

Mr. HARRIS: Where is the difference between that and the \$293,347.70 on page 11? Where does that show?

Mr. SYMINGTON: Which item on page 11?

Mr. HARRIS: Item 617.

Mr. SYMINGTON: Item 617, flying equipment insurance, 618, 654, and 696. They are departmentalized.

Mr. HARRIS: The figures you have just given us make up the total?

Mr. SYMINGTON: Yes. I am relying on my accountant here. I have not figured it out myself. I can give you the premiums if you want them established.

Mr. JACKMAN: It is more the principle that I am concerned with.

Mr. SYMINGTON: You asked about liability. Our aircraft insurance runs to a total insured value of \$3,000,000. We charged $7\frac{1}{2}$ per cent and the previous rate we paid was 8.426 to the insurance companies.

Mr. JACKMAN: It is like automobile insurance. We are not concerned very much with property damage or damage to your own car but public liability may run into very large figures, and the same thing with aircraft.

The CHAIRMAN: Are you ready to adopt this report, gentlemen?

Mr. EMMERSON: I want to ask Mr. Symington what is the record of accidents for 1943?

Mr. SYMINGTON: The only accident that amounted to anything that we have had was the one at Armstrong three years ago.

Hon. Mr. HANSON: The record has been excellent.

Mr. EMMERSON: You have not had any in 1943?

Mr. SYMINGTON: No.

Mr. EMMERSON: No damage, no public liability claims?

Mr. SYMINGTON: There were some jars but nothing serious involving injuries.

Mr. DONNELLY: That is the only real accident you have had since you began operations?

Mr. SYMINGTON: Yes.

Mr. HARRIS: Does the cost of repairing a plane that is damaged in an accident come out of the self-insurance fund or out of operations?

Mr. SYMINGTON: It comes out of the self-insurance fund, Mr. Harris.

Mr. HARRIS: There is one other observation, Mr. Chairman. I cannot just agree that the conduct of the whole T.C.A. operation in the matter of superintendents and employees has thinned out a great deal when the grand total of the costs this year, as I view it from the statement here, is about 50 per cent higher than they were last year whereas the total income is not 50 per cent higher. I imagine you must be thickening up the necessary services to carry on the T.C.A. I understood the witness to say they had thinned out a great deal the control of the T.C.A.?

Mr. SYMINGTON: We have not thinned it out. With the growth of business we have not taken them on, and they have taken people from us through selective service, mainly mechanics.

Mr. HARRIS: You took them on to the extent of from \$326,000 up to \$559,000 in one year?

Mr. SYMINGTON: Yes. Of course, I gave a written statement this morning as to the reasons.

Mr. HARRIS: It does not indicate you have thinned out to the extent of your statement made to-day?

Mr. SYMINGTON: I simply repeat the statement I made to-day that we are running in my idea of things very thin for the operations we have.

Mr. HARRIS: Not nearly as thin as a year ago?

Mr. SYMINGTON: Yes, I think I would say thinner.

Mr. HARRIS: Not according to the costs?

Mr. SYMINGTON: Not according to the costs, that is quite true.

Mr. HARRIS: You have an advance from \$156,000 to \$225,000.

Mr. SYMINGTON: Which item are you reading now?

Mr. HARRIS: Item 631. You have an advance from \$156,000 to \$225,000; that is an advance of \$75,000. Then you have an advance from \$326,000 to

\$559,000. That does not indicate thinning out to the extent that your general statement would lead us to believe. I am not complaining about it. It is just as well it is not thinned out too much.

Mr. SYMINGTON: I think we are thinned out too much. I have asked the R.C.A.F. to get me seventy-five pilots, one hundred and fifty mechanics, navigators and radio operators. They are getting them as fast as they can.

Hon. Mr. HANSON: It seems to me that the chief criticism of your statement is the tremendous increase in your operating cost; is that not so?

Mr. SYMINGTON: That is the reason I read the statement to you. I went to some trouble to read a statement this morning which I prepared in explanation of it, and which you will find on the record.

Hon. Mr. HANSON: Of course, we have not got it in front of us, and we cannot cross-examine you intelligently on it without it so I am not going any further with it.

Mr. JACKMAN: On this contributory pensions plan for the personnel what percentage do you contribute and how much does he contribute?

Mr. SYMINGTON: We contribute the same as he does up to 5 per cent.

Mr. JACKMAN: And he contributes what he likes up to that.

Mr. SYMINGTON: New employees since the plan was effective are compulsory 2 per cent.

Mr. JACKMAN: That is approved by the revenue department for taxation purposes?

Mr. SYMINGTON: Yes.

Mr. JACKMAN: Why do you not put the money into government annuities and get 4 per cent instead of 3 on the government guaranteed bonds? Why do you not put it into government annuities, buy them government annuities?

Mr. SYMINGTON: We cannot buy them annuities at the moment until we get enough money to buy annuities.

Mr. JACKMAN: You can pay in on them.

Mr. SYMINGTON: We do not know that we are going to want annuities when the time comes. These boys are not looking for annuities now. They are building up a fund under the plan to buy an annuity at the time they retire.

Mr. JACKMAN: But during the time they are building up, if that is the purpose in view, they could be getting 4 per cent instead of 3 per cent?

Mr. SYMINGTON: Of course, probably many of them will leave the service and will want their money out. The plan is one of investment in government securities, and when a man comes to the retiring age whatever sum is there buys him an annuity for life, a government annuity.

Mr. JACKMAN: If he wants his money out he cannot get his money out; the government will not approve of a plan whereby you give them a lump sum when they leave your employ?

Mr. SYMINGTON: In the air business I do not think we could tie them up so they could not get out.

Mr. JACKMAN: They cannot get their money out under a government approved plan?

Mr. SYMINGTON: I do not think they would consent to that.

Mr. JACKMAN: They have no option now when they leave your service?

Mr. SYMINGTON: No, they get their money back but if they are retiring they get an annuity for the rest of their life.

Mr. JACKMAN: A man may come under this plan with government approval and when he leaves your employ he can get a lump sum?

Mr. SYMINGTON: He gets the money he has paid in plus interest on it.

Mr. JACKMAN: All of which money has been tax free to him?

Mr. COOPER: It is not tax free.

Mr. JACKMAN: Why do you not get a tax free plan then? It is much more beneficial to the employee.

Mr. COOPER: That is questionable.

Hon. Mr. HANSON: It is quite possible you can get a tax free plan.

Mr. COOPER: Yes.

Hon. Mr. HANSON: There may be a question of calculation which might alter your policy.

Mr. HARRIS: I should like to ask, Mr. Chairman, if items 631, 681 and 691, salaries and wages, are frozen?

Mr. SYMINGTON: Yes, they are frozen.

Mr. HARRIS: What method do you use to hold your employees?

Mr. SYMINGTON: We just hold them, that is all, if we can. There are quite a lot of changes.

Mr. HARRIS: Do you change your categories? Where you are going to lose a valuable man because his salary is frozen do you put him in another category?

Mr. SYMINGTON: If we can give him a better job he will be allowed an increase in salary.

Mr. HARRIS: Did you originate any new jobs or positions during the year?

Mr. SYMINGTON: I do not know that you could say we have originated new jobs. Naturally with the expansion and increase of territories we have appointed superintendents, and that sort of thing in various territories.

Mr. HARRIS: Have you been able to hold your men?

Mr. SYMINGTON: Yes, we have been able to hold our people.

Hon. Mr. HANSON: What you do, and I suppose what everybody else does who wants to hold their employees, is you assign them new duties and therefore you give them a greater emolument. It is quite proper as far as I am concerned.

Mr. SYMINGTON: As far as I know we certainly increased a few of our men and we have made changes in their duties.

Hon. Mr. HANSON: Surely.

Mr. SYMINGTON: But I think in each case it has been a bona fide promotion.

Hon. Mr. HANSON: I am not suggesting otherwise. That is the proper thing to do in my view.

Mr. SYMINGTON: It has not been very general or marked but there has been some, yes.

Mr. JACKMAN: Perhaps Mr. Cooper would tell us why you do not set up a trust fund for the annuities on the assets side and have a contra account on the liabilities? It is more usual, is it not?

Mr. COOPER: No, it is referred to in the report, Mr. Jackman, that with respect to the employees' annuities fund the company is a trustee only. The fund is not an asset of the company and it would be incorrect to include it in the assets of the company.

Hon. Mr. HANSON: Then the consolidated revenue fund of the Dominion of Canada is all wrong because superannuation is in there.

Mr. COOPER: I am not discussing the public accounts.

Hon. Mr. HANSON: You are defending your accounting system; that is all.

Mr. COOPER: Quite.

Hon. Mr. HANSON: As far as I know you may be right.

Mr. COOPER: The employees' annuity fund is not an asset of the company. Why should it be included in our assets?

Mr. JACKMAN: Because you are handling it for them.

Mr. COOPER: Only as trustee.

Mr. SYMINGTON: You would not have us put it in the assets of the company if it is not an asset?

Mr. JACKMAN: And a contra liability for the same amount.

Mr. COOPER: We have referred to it in the report.

Mr. JACKMAN: Some year if you do not make reference to it we will not know that you are responsible for the money. If you do not have it in the balance sheet you should have a footnote, a contingent liability, if you want to call it that. You have the responsibility in regard to the handling of that fund as a corporation, or have you got a set of independent trustees?

Mr. SYMINGTON: A set of independent trustees.

Hon. Mr. HANSON: You do not handle it yourself?

Mr. SYMINGTON: It is handled by the organization.

Hon. Mr. HANSON: Then you are trustees in handling it yourself?

Mr. SYMINGTON: The company is not the trustee. Certain individuals are trustees.

Hon. Mr. HANSON: Then we have not got the full picture.

Mr. JACKMAN: If there happened to be a defalcation would not T.C.A. feel responsible if one of their officers was a defaulter?

Mr. COOPER: It might.

Mr. JACKMAN: It is a liability.

Mr. COOPER: I cannot agree for a moment that the annuity trust fund is an asset of the T.C.A. and I would go further and say that it would be most unusual for a company to include that in its assets.

Mr. JACKMAN: I have seen it often.

The CHAIRMAN: Before any more members leave the committee room, I would like to discuss whether we will sit to-morrow morning or not?

Hon. Mr. HANSON: I cannot be here to-morrow morning.

Mr. HANSON (*Skeena*): There is a caucus to-morrow morning.

The CHAIRMAN: I know there is a caucus, that is what I want to put to the members, the question of sitting while the caucus is on.

Hon. Mr. HANSON: I think you better set this committee over until after Easter.

Mr. HANSON (*Skeena*): How about sitting at 4 o'clock to-morrow afternoon?

Hon. Mr. HANSON: The Banking and Commerce Committee are sitting to-morrow and I cannot be here. However, that is not important. I feel I should be here. That is the trouble that we are up against.

The CHAIRMAN: All right, gentlemen, we will meet to-morrow afternoon at 4 o'clock in room 262, on the Senate side.

Mr. JACKMAN: What is that item, affiliated companies, \$2,751?

Mr. SYMINGTON: That is the New York airport terminal; A stock 25 shares at \$1; C stock 10-year promissory, dated July 21, 1941, 2,000—that is what you have to put up in order to land at La Guardia airport.

Hon. Mr. HANSON: That is quite a proper thing.

Mr. JACKMAN: Do you get as good service at La Guardia field as the American companies do?

Mr. SYMINGTON: I think so, sir; we have had no complaints. We have had complaints that the customs and immigration sometimes delay our people somewhat; so far as the airport employees themselves are concerned we have no objection.

Hon. Mr. HANSON: That is a great air field, isn't it?

Mr. SYMINGTON: Oh yes, you should see the plan of the new one. It is marvellous.

The CHAIRMAN: Well, if you are through deliberating on this report will someone please move its adoption?

Mr. JACKMAN: Oh give us just a minute, Mr. Chairman. Some complaint has been made by a number of people, I believe, about facilities; I understand that you have incidental services here of \$855,000 this year as against \$599,000 last year.

Mr. SYMINGTON: Yes.

Mr. JACKMAN: I understand that you have no refreshment booths where coffee and such things are available, I mean you have not the same facilities that the American companies have.

Mr. SYMINGTON: Those are not incidental services. Incidental services are sales of gasoline and these war services that we have been talking about. You say there have been complaints made?

Mr. JACKMAN: Yes, that you are not able to get coffee and sandwiches which the American lines have at their airports.

Mr. SYMINGTON: We have that at Montreal and at Malton. I am not proud of Malton, no. It is entirely a question of room. The trouble with this business is that the places that have been built were built for the present and not for the future, and it is a question of largely what you can do. The Malton service is bad because it is so far from the city and there is no place for the employees, no dining-room in which they can be served and they have to be taken in and out. It is most difficult to get proper help these days. It will right itself but the truth at the moment is that you cannot get it.

Hon. Mr. HANSON: What about beer, is there any demand for beer?

Mr. SYMINGTON: We haven't got any licence and we discourage it in the air.

Hon. Mr. HANSON: I think you are right.

Mr. JACKMAN: As an operating official of the T.C.A. would you care to express any opinion about the Malton airport and its convenience or inconvenience to the people of Toronto?

Mr. SYMINGTON: Oh, I do not know; certainly it would be much better and much more convenient if it were closer.

Mr. JACKMAN: And it should be closer?

Mr. SYMINGTON: I would not say that, I am not qualified to say that.

Mr. JACKMAN: Do you know anything at all about a scheme for developing the island airport?

Mr. SYMINGTON: We have tried the island airport but when it comes to the size of plane we will shortly be operating it is out of the question. I might tell you as a matter of information that I nearly drowned myself there. To develop that to an adequate size would involve an expenditure of a million dollars or more. As you probably know, these big planes must land against the wind and take off against the wind. And in addition to that the air field there at present is not large enough to accommodate even our two-engine planes and it certainly would be far short of what we would need for the planes of the four-engine type which will shortly we hope be in operation. The island simply has not got the length to accommodate those big planes.

Mr. JACKMAN: After all, the island is over a mile long in spots, could it not be developed?

Mr. SYMINGTON: If the city of Toronto wants to develop it all right, I am not going to.

Mr. JACKMAN: Is it a question of cost alone?

Mr. SYMINGTON: Not altogether, the island is not suitable, there is not sufficient length.

Hon. Mr. HANSON: Could you not move Toronto nearer to the airport?

Mr. SYMINGTON: You see, you have got to have not just one runway, but you have to have a number of runways so as to meet the different winds. You have to come down and go up into the wind and require to have different runways to meet different winds. Otherwise you might get a condition at Toronto island airport where you would not be able to land or take off over a period of two or three days. The longest available runway there is too short and cannot be made long enough. It could be made long enough at great expense to accommodate our two-engine machines, but it would never be able to accommodate our four-engine machines, and that is what is coming.

Mr. JACKMAN: The reason I asked that was because the island after all is quite long—

Mr. SYMINGTON: It has all been handled, the Department of Transport will tell you that it has been surveyed thoroughly and the whole thing gone into and just is not possible.

Mr. JACKMAN: Can passengers easily take out insurance with private companies at the airport?

Mr. SYMINGTON: Yes sir.

Mr. JACKMAN: No difficulty in that connection?

Mr. SYMINGTON: None at all; and it is very cheap because our record is good.

Mr. JACKMAN: Looking over aircraft operation maintenance and depreciation accounts on page 11 I see, just looking at some of the items appearing there, that there has been a 35 per cent over-all increase in operating costs. Some of these items appear to be very much out of line in respect to the amount by which they have increased. Your over-all increase is 35 per cent and some of these increases are vastly in excess of that. Take this item, aircraft instrument repairs; it was \$79,000 in 1942 and \$90,000 in 1943. How do you get such a disproportionate increase?

Mr. SYMINGTON: The answer to that is that it is in instruments that the greatest progress has been made. They have had to be changed through obsolescence and they also have reached a stage now when they have to be replaced.

Mr. JACKMAN: Did you not set up depreciation on these items from year to year?

Mr. SYMINGTON: Oh, yes.

Mr. JACKMAN: You seem to have exceptionally heavy charges to operation in one particular year.

Mr. SYMINGTON: That is because we bought a lot of new instruments.

Mr. JACKMAN: Do you charge to instruments?

Mr. SYMINGTON: If they are replaced, yes.

Mr. JACKMAN: What is your depreciation policy in this connection?

Mr. SYMINGTON: We depreciate the planes in four years—the aircraft have a four-year life with \$5,000 salvage; propeller hubs, 7,000 hours in the air; aircraft engines 6,000 hours in the air; aircraft communication equipment, a five-year life; miscellaneous flying equipment, a five-year life; ground communi-

cation equipment, a five-year life; hangar equipment, ten years; shop equipment, ten years; motor vehicles equipment, ten years, 7 years and 5 years; fuel storage equipment, 10 years; furniture and fixtures, 20 years; airport lighting, 20 years; miscellaneous ground equipment, 10 years; buildings and other improvements, 3 per cent; lease-hold rights, hangars and so on, 3 per cent.

Mr. JACKMAN: What about these aircraft instruments, are these all repairs?

Mr. ENGLISH: They are part of the aircraft. If you replace the instruments you do not charge the depreciation reserve until your whole aircraft is written off.

Mr. JACKMAN: Because particularly I notice here, miscellaneous flying equipment repaired \$20,000 one year and last year \$50,000.

Mr. SYMINGTON: That is not very much of a difference. We flew more miles, I do not think that is abnormal.

Mr. JACKMAN: Your average increase in operating expenses is only 35 per cent. I thought most of it would hover around that figure.

Mr. SYMINGTON: Oh, no, I do not think you could assume that at all.

Mr. JACKMAN: Then there is your liability and compensation insurance, \$153,000 and \$297,000 last year?

Mr. SYMINGTON: Yes. Well, that is because you see last year (1942) there were six Lodestars which only came in in November and they are an expensive new plane; we only had one month's insurance that year and we had twelve months in 1943, and that is a new plane.

Hon. Mr. HANSON: And that accounted for it?

Mr. SYMINGTON: Yes.

Mr. JACKMAN: Six additional planes as well as these?

Mr. SYMINGTON: Yes.

Mr. JACKMAN: Aircraft engine depreciation; that is a special write-off; \$39,000 odd to \$292,000 in 1943.

Mr. SYMINGTON: That is aircraft engines. The answer to that is this, our depreciation with respect to aircraft engines last year was not normal because we had sold to various people including some in South America our original engines which had completely depreciated. We sold them under a war condition for something over \$100,000 and that of course was credited against depreciation last year.

Hon. Mr. HANSON: I wonder if you have given consideration to this matter, Mr. Symington; what have you done with respect to going into new territory, exploring, if that is the proper term to use, new routes in the tropics; I see you refer to it here?

Mr. SYMINGTON: We sent a man down to all the West Indies and South American countries. He saw the government people and investigated landing fields, who owned them; made a study of the traffic that could be reached and what class of men we would require and so on.

Hon. Mr. HANSON: Did you find the field pretty well dominated by Pan-American?

Mr. SYMINGTON: Oh, no, Pan-American runs to South America of course but there is no exclusive privilege.

Hon. Mr. HANSON: You say they do not have an exclusive field?

Mr. SYMINGTON: They have been in there, but there is no difficulty, we can get in. We would have to compete with foreign organizations.

Hon. Mr. HANSON: Have you arrived at any conclusion as to whether you should go in there?

Mr. SYMINGTON: No, we have not arrived at any conclusion yet, because of course in the West Indies although there have been a lot of big air fields built there. The ones that are worthwhile, are nearly all under the control during

the war of the American government and we have got to wait and see what is going to happen to them after the war.

Hon. Mr. HANSON: That is all in the future.

Mr. SYMINGTON: We have got ready. We know what we want. You ask what else we are doing; we are doing a great deal; with respect to the plane we will fly, in what kind of plane we want to fly; I would say to you that we are the only people who have had any real practical experience in flying the ocean as an operation; and I will tell you there was a—

Hon. Mr. HANSON: As a what?

Mr. SYMINGTON: As a commercial operation.

Hon. Mr. HANSON: Well, as a commercial operation, but as a practical operation—

Mr. SYMINGTON: As a practical operation; we are not ferrying bombers over, we are running cargo.

Mr. HANSON (*Skeena*): I will move the adoption of this report.

Hon. Mr. HANSON: Now, just a minute, you are not going to railroad this thing through.

The CHAIRMAN: We have to be through with this thing by six o'clock.

Hon. Mr. HANSON: No, we have not. If we are not through by 6 o'clock then we will not be through. We are not going to be choked off. I quite appreciate that Mr. Symington has urgent reasons for wanting to get away; but don't let us have anything like that from any of the members of this committee. The Chairman is not going to put anything like that over us.

Mr. HANSON (*Skeena*): Now, the chairman is not trying to put anything over; it was my suggestion, the adoption of this report and you are not going to place any blame on him for anything of which I am responsible.

Hon. Mr. HANSON: As far as I am concerned, I see a tendency to rush things, and with a mechanical majority you can do that if you want to; but I warn you, you better not do it.

Mr. HANSON (*Skeena*): What is that, a threat?

Hon. Mr. HANSON: You can call it anything you like.

Mr. HANSON (*Skeena*): Let me tell you that I do not have to take any threats from you.

Hon. Mr. HANSON: Take it anyway you care to; as far as I am concerned, I am not going to see this discussion choked off. I wanted to ask that question because I omitted it, and it is important.

Mr. SYMINGTON: That is a fact, we are giving intensive study.

Hon. Mr. HANSON: You say that you are the only people who have flown the Atlantic on a practical basis; what about the British Airways?

Mr. SYMINGTON: They are flying bombers and that sort of thing.

Hon. Mr. HANSON: They have done the same thing, have they not?

Mr. SYMINGTON: No, not exactly.

Hon. Mr. HANSON: With regard to Ferry Command in 1941, the commanders were all British Airways people.

Mr. SYMINGTON: They just took bombers over and left them there.

Hon. Mr. HANSON: And they flew back too.

Mr. SYMINGTON: No, they did not fly back.

Hon. Mr. HANSON: Excuse me, I flew over and back with one.

Mr. SYMINGTON: That is B.O.A.C.

Hon. Mr. HANSON: No, excuse me, I know what I am talking about.

Mr. SYMINGTON: Well, as a regular thing, they do not.

Hon. Mr. HANSON: Perhaps that is a more explicit statement, but you do not want to leave the impression that T.C.A. are the only people who have had practical experience in this class of work because British Airways has done that for years.

Mr. SYMINGTON: The point I want to make is that we are the only people, I think, who have endeavoured to create from a bomber a commercial plane and operate it across the ocean.

Hon. Mr. HANSON: That may be true, and that is probably an exact statement. As far as I am concerned you can pass it.

Mr. JACKMAN: Coming back to my question based on "ground operation, maintenance and depreciation", I find that superintendence has gone up from \$156,266 to \$225,225. Should there be any necessary relationship at all between the general increase in operating expenses of 35 per cent and that of individual items such as superintendence?

Mr. SYMINGTON: Superintendence? I noticed that one. The explanation given to me is that the large increase in government work has caused a large increase in the superintendence of the operation.

Mr. JACKMAN: And on the same basis I refer to airport and hangar employees?

Mr. SYMINGTON: My answer to that is what I indicated before that we have lost experienced men and we also have a large number of women who, of course, are not quite as efficient in that particular job.

Mr. JACKMAN: Then there are other items like item 650 "shop expenses—indirect labour and material". There you have \$85,000 in 1942 and \$107,000 in 1943.

Mr. SYMINGTON: What number is that?

Mr. JACKMAN: 650 on page 11.

Mr. SYMINGTON: That is not a great increase.

Mr. JACKMAN: That one seems to be normal. I do not see why the same explanation should not be given.

Mr. ENGLISH: That covers supervisory men in the shops. All male employees.

Mr. JACKMAN: Why does it not compare with superintendence generally?

Mr. SYMINGTON: The superintendents are male; but the government work and the B.O.A.C. work and the R.C.A.F. work and the Department of Transport work have increased and have required at different points an increased number of supervisors on the staff.

Mr. JACKMAN: I am looking over the increase.

Mr. SYMINGTON: I am trying to make an explanation.

Mr. JACKMAN: I am trying to show what happens to a person who does not know what has been happening.

Mr. SYMINGTON: I am glad that you asked that. I noticed that item myself.

Mr. JACKMAN: It would look as if some of the expense account had been pretty severely loaded on account of the increased revenue of the company during the year. Now, I merely wish to have an explanation as to why that assumption is probably wrong?

Mr. SYMINGTON: Quite right.

The CHAIRMAN: I have a motion from Mr. McCulloch to adopt this report. All in favour?

(Report adopted).

The committee adjourned at 5.50 o'clock p.m. to meet Tuesday, March 28, at 4 o'clock p.m.

APPENDIX A

EMPLOYEES AND THEIR COMPENSATION

	As at Dec. 31, 1943			As at Dec. 31, 1942		
	Male	Female	Total	Male	Female	Total
Officers	26	...	26	20	...	20
General Office Staffs	24	46	70	15	21	36
Flight and Dispatch—						
Captains	57	...	57	50	...	50
First Officers	55	...	55	53	...	53
First Officers in Training	2	...	2	3	...	3
Stewardesses .....	...	61	61	...	52	52
Dispatchers	21	...	21	24	...	24
	135	61	196	130	52	182
Communication and Stations—						
Station Managers	14	...	14	11	...	11
Radio Operators	90	34	124	95	...	95
Radio Technicians	7	...	7	5	...	5
Passenger Agents	31	70	101	22	41	63
Reservations Agents	14	31	45	12	16	28
Telephone and Teletype Operators .....	...	91	91	...	53	53
Cargo Clerks	91	6	97	56	4	60
Commissary Clerks .....	...	14	14	...	...	...
Clerical	1	8	9	4	6	10
	248	254	502	205	120	325
Maintenance and Overhaul—						
Engineering and Clerical	36	17	53	20	9	29
Chief Mechanics, Foremen and Sub-Foremen, Inspectors and Crew Chiefs	112	...	112	65	...	65
Air Engineers, Mechanics and Jr. Mechanics	344	...	344	170	...	170
Helpers, Learners and Operators	217	166	383	194	122	316
Building Maintenance and Cleaners	75	28	103	62	19	81
Chauffeurs	38	1	39	24	...	24
	822	212	1,034	535	150	685
Stores	27	29	56	22	18	40
Accounting	24	37	61	20	20	40
Traffic	33	79	112	47	37	84
*Total	1,339	718	2,057	994	418	1,412

* Note.—Includes personnel directly engaged in war contract work: 1943—320; 1942—160.

TRANS-ATLANTIC (including Return Ferry Service)

	As at Dec. 31, 1943			As at Dec. 31, 1942		
	Male	Female	Total	Male	Female	Total
Supervisory Officers	3	...	3	2	...	2
Captains	5	...	5	3	...	3
First Officers .....	...	...	...	3	...	3
Radio Operators	3	...	3	3	...	3
Station Managers	2	...	2	...	...	...
Clerical	5	17	22	4	9	13
Maintenance and Overhaul	216	23	239	198	21	219
Stores	5	7	12	1	6	7
Total	239	47	286	214	36	250
Grand Total	1,578	765	2,343	1,208	454	1,662

STANDING COMMITTEE

Percentage of female employees, T.C.A.—35 per cent as at December 31, 1943.

Total Payroll for Year—

	1943	1942
T.C.A.	\$3,375,964	\$2,402,552
Trans-Atlantic (including Return Ferry Service) ...	515,196	309,006
	<u>\$3,891,160</u>	<u>\$2,711,558</u>

Total Cost-of-Living Bonus for Year—

	1943	1942
T.C.A.	\$ 352,172	\$ 225,598
Trans-Atlantic (including Return Ferry Service) ...	54,423	21,610
	<u>\$ 406,595</u>	<u>\$ 247,208</u>

Statement of Staff by Locations

	As at December 31	
	1943	1942
Victoria, B.C.	10	2
Vancouver, B.C.	54	47
Penticton, B.C.	5	4
Kimberley, B.C.	4	4
Lethbridge, Alta.	74	52
Calgary, Alta.	16	13
Edmonton, Alta.	25	18
Regina, Sask.	15	12
Winnipeg, Man.	1,110	717
Armstrong, Ont.	7	10
Kapuskasing, Ont.	10	8
North Bay, Ont.	10	8
Toronto, Ont.	348	275
London, Ont.	10	9
Windsor, Ont.	16	16
New York, N.Y.	14	12
Ottawa, Ont.	35	27
Montreal, Que.	99	58
Moncton, N.B.	112	76
Halifax, N.S.	42	23
Sydney, N.S.	12	7
Stephenville, Nfld.	3	1
Gander, Nfld.	12	6
St. John's, Nfld.	14	7
Total	<u>2,057</u>	<u>1,412</u>
Montreal, Que. (Trans-Atlantic)	283	250
Prestwick (Trans-Atlantic)	3	...
Total	<u>286</u>	<u>250</u>
Grand Total	<u>2,343</u>	<u>1,662</u>

Employees on leave of absence for Military Service, as at December 31, 1943—227.

Average Compensation per employee (including cost-of-living bonus):

T.C.A.—

December, 1943—\$157
December, 1942—\$158

B.O.A.C. and Trans-Atlantic—

December, 1943—\$170
December, 1942—\$166

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Canada. Railways and Shipping
Standing Committee, 1944

(SESSION 1944

HOUSE OF COMMONS)

CA1 XC15

-R17(STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

CONSIDERATION OF ANNUAL REPORTS

Canadian National Railways, 1943.

Canadian National (West Indies) Steamships Limited, 1943.

TUESDAY, MARCH 28, 1944.

WITNESSES:

Mr. R. C. Vaughan, Chairman of Board of Directors and President,
Canadian National Railways.

Mr. T. H. Cooper, Comptroller, C.N.R. and T.C.A.

Mr. N. B. Walton, Executive Vice-President, Operation and Construc-
tion Departments, C.N.R.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1944



MINUTES OF PROCEEDINGS

TUESDAY, March 28, 1944.

(3)

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government met this day at 4 o'clock. Mr. J. P. Howden, the Chairman, presided.

Members present: Messrs. Donnelly, Emmerson, Hanson (*Skeena*), Hanson (*York-Sunbury*), Harris (*Danforth*), Howden, Jackman, McCulloch, Maybank, Michaud, Nicholson, Parent, Sanderson and Sissons—(14).

The Committee commenced the consideration of the Annual Report of the Canadian National Railways for the year ended December 31, 1943.

Mr. R. C. Vaughan, Chairman of the Board of Directors and President of the Canadian National Railways, was called.

Before proceeding with the reading of his report, the witness gave an outline of what the C.N.R. accomplished from 1940 to 1943. Mr. Vaughan was commended for this opening statement.

The witness read the annual report and was examined thereon.

Messrs. Walton and Cooper, respectively Executive Vice-President and Comptroller of the Canadian National Railways, assisted Mr. Vaughan. They were also called and interrogated.

The witnesses were retired.

At 6 o'clock, Mr. McCulloch moved that the Committee adjourn until 8.30 this evening. The question being put, it was resolved in the affirmative.

EVENING SESSION

(4)

The Standing Committee on Railways and Shipping resumed at 8.30 o'clock. Mr. J. P. Howden, the Chairman, presided.

Members present: Messrs. Donnelly, Durocher, Emmerson, Hanson (*Skeena*), Harris (*Danforth*), Howden, Jackman, McCulloch, Maybank, Michaud, Nicholson, Roebuck, Sanderson and Sissons—(14).

As requested of the Department of Transport, the following documents were tabled.

1. P.C. 6255, dated August 6, 1943, naming Winnipeg, Saskatoon and Edmonton under the Transport Act.
2. P.C. 6256, dated August 6, 1943, naming Halifax and Saint John under the Transport Act.

3. Application for Saint John-Halifax Air route by C.P. Air Lines Limited.
4. List of applications for air route licences and transfers made by C.P. Air Lines Limited showing date of application.

On motion of Mr. Donnelly, seconded by Mr. McCulloch, the above were filed as exhibits.

On motion of Mr. McCulloch,—

Resolved.—That Mr. Donnelly be vice-chairman of the Committee.

The Committee resumed consideration of the Annual Report of the C.N.R.

Mr. R. C. Vaughan was recalled and further questioned.

Messrs. Cooper and Walton, who assisted Mr. Vaughan, were also recalled and examined.

Mr. Hanson (*Skeena*) having referred to the Canadian National Railways brief before the Special Committee on Reconstruction and Re-establishment, copies of the minutes of that Committee were obtained by the Clerk and distributed forthwith.

At this stage Mr. Donnelly took the chair.

In the course of the proceedings, Mr. Cooper, in reply to a question, read a statement relative to The Toronto Belt Line Company and the Irondale Baneroft and Ottawa Railway Company.

Honourable Mr. Michaud gave details pertaining to property transfers to Government Departments.

The witness agreed to supply the Committee with information showing individual results of C.N.R. hotels.

Consideration of the C.N.R. annual report being completed, on motion of Mr. McCulloch it was adopted.

The Committee then considered and completed the Annual Report of the Canadian National (West Indies) Steamships Limited which was read by Mr. Vaughan.

On motion of Mr. Hanson (*Skeena*), the Report was adopted.

Messrs. Vaughan, Walton and Cooper were retired.

At 10.30 o'clock p.m., the Committee adjourned until Wednesday, March 29, at 4 p.m.

(Antonio Plouffe)
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

March 28, 1944.

The Standing Committee on Railways and Shipping met this day at 4 o'clock p.m. The Chairman, Mr. J. P. Howden, presided.

The CHAIRMAN: I believe it is the understanding, if it is acceptable to all, that we will proceed with the report of the Canadian National Railways to-day. If there are no objections we will ask Mr. Vaughan to proceed.

R. C. VAUGHAN, Chairman of the Board and President, Canadian National Railways, called.

Mr. VAUGHAN: Mr. Chairman and gentlemen: I was almost on the point of saying it was a pleasure to be here again but I can hardly say that. However, it has not been an unpleasant duty to appear before this committee in the last two or three years. We are here to give the fullest information in every respect to the committee concerning our operations in which they are interested. We, like yourselves, are busy, and while we do not want to hurry you in any way if you could possibly let us away before the Easter recess it would be a great obligation to us.

Hon. Mr. HANSON: I was going to suggest that you go now and come back after Easter. We are all trying to do other things before we go home.

Mr. VAUGHAN: That would probably be worse for us. Before I deal with the 1943 report proper I have a few remarks here in connection with our operations for the last four years, and with the permission of the chairman and members of the committee I should like to give you some facts as to just what has been accomplished in the last four years.

In these four years we have not only made a tremendous contribution to Canada's war effort but in addition we have brought about a very substantial improvement in the financial position of the system.

In transportation performance the distance travelled by our trains exceeded 248 million miles, our passenger cars travelled 775 million miles and freight cars nearly 6½ billion miles. We carried 272 million tons of revenue freight and 93 million passengers. Our gross revenues exceeded \$1,368 millions. Our operating expenses amounted to \$1,053 millions. The amount paid in wages was \$659 millions. Approximately 57 per cent of our total expense went out in the form of wages. Our fuel bill alone cost us \$119 millions.

Conforming to the government's policy to prevent inflation of the currency by stabilizing wages and material prices, railway freight rates and passenger fares were frozen at their pre-war levels. Actually, due to variations in the character of the traffic, there was a decrease in our revenue per ton mile of about 5 per cent and a decrease in our revenue per passenger mile of about 9 per cent, 1943 compared with 1939. Unfortunately for the railways it has not been possible to hold expenses at their pre-war levels. Our employees were granted the maximum cost of living bonus which has cost the railway \$40½ millions. Wage increases to the employees on our United States lines cost the railway \$7½ millions. The price of coal increased from an average of \$3.76 per ton in September 1939 to \$5.43 per ton in September 1943. The price of new rail increased \$9.11 per ton, untreated ties increased from 63 to 86 cents; these are average prices of course, and general railway stores material has

increased almost 15 per cent over the pre-war level. In addition we instituted depreciation accounting in Canada on rolling stock equipment in 1940 and the amount charged into our accounts based on the normal depreciation rates has been \$47 millions.

In addition to the very heavily increased costs to which I have referred and which can be considered as uncontrollable so far as we are concerned, we have made provision in our accounts for charges of an optional nature; that is to say we were not compelled to do these things, but we have provided for them because we have been more concerned to state our results on a conservative basis than we have been to make a favourable showing at the expense of the future. In addition to the normal depreciation charge for equipment we have taken up an additional \$14½ millions because we consider under the heavy traffic conditions of the war period there has been an acceleration in the exhaustion of the service life of our equipment. We have provided \$24 millions for deferred maintenance of tracks, bridges, buildings and equipment and \$2½ millions for the amortization of facilities provided solely for wartime traffic and which are not expected to have any usefulness for ordinary commercial operations after the termination of the war. We have provided an inventory reserve of \$5 millions, and, as the committee will notice from our 1943 report, we have set up a reserve against our outstanding pension contracts, the total amount provided being \$21 millions, of which \$2 millions were charged to operating expenses in 1943 and \$19 millions was set out as a special item in the accounts. The total of these optional charges is \$67 millions. After the payment of operating charges, including all the additional and special items to which I have referred, we had net earnings of \$295 millions available for the payment of taxes, interest, etc. Out of every \$100 of additional revenue over the 1939 level we carried \$38 to net revenue.

In the period we expended \$75½ millions on property investment account including \$61½ millions for new equipment. Notwithstanding these large expenditures we actually reduced capital debt by \$38.8 millions and our fixed charges by over \$1 million.

From what I have said the committee will have received some idea of the magnitude, diversity and complexities of the operations for which we are responsible. We have a tremendous property to operate. The Canadian National family includes railways, steamships, air lines, telegraphs, express, hotels, and approximately thirty active separately operated companies. Measured by territory served and route mileage operated, we are the largest railroad on the American continent. We have over 100,000 employees and our present payroll is approximately \$200 millions a year. With respect to the general officers under whose direction these operations are conducted I think it is fair to point out there has been practically no increase in their number and their basis of compensation is lower than that paid by other railroads to officers with comparable responsibilities.

The committee may be interested to know how we are getting along in 1944. To the end of the third week in March our gross revenues show an increase of \$9.1 millions over the corresponding period in 1943. Our net revenue to the end of February has also improved by approximately one million dollars. We doubt whether this pace will be maintained and when our 1944 budget comes before you for consideration you will notice we have given expression to this view. I would like to add one short word—notwithstanding the magnitude of our operations and the tremendous expansion which has taken place in our revenues and expenses we are still keeping a very close check on our disbursements to see that under conditions which make for increased spending we continue to practise economy, and to maintain a strict control over both our capital and operating budgets.

Hon Mr. HANSON: I should like to make one or two observations of a general character. This may be no surprise to you but it may be a surprise to my colleagues who kick with the other foot politically. I want to give you a word of commendation for the results that the Canadian National Railways have achieved this year and say that you have made in my view a great contribution to the war effort. That goes for all the officials and men of the Canadian National system. This government and this country of Canada could not have done what they have done without the co-operation of both the railways and the Canadian National has had the major share and has done the major part of the job. I think it is due to you, having regard to my position in public life being opposed to the present administration, that I should say that to you and your staff, and I do so without any reservations.

Having said that much I am not going to turn around and kick you in the face but I am going to say this to you, that we shall be glad to analyse and criticize not with a view to injuring you at all events but to elicit if we can the facts which we think the Canadian people ought to know.

Mr. VAUGHAN: I certainly appreciate what you have to say, Mr. Hanson, in those kind remarks. I can assure you we are always willing and anxious to give all the information we can and we are not a bit thin skinned about criticism.

Hon. Mr. HANSON: I should like to strike this personal note. There are those people in this country, and I expect there are those people in the ranks of the Canadian National Railway, who perhaps look upon me as an enemy of the system, but I am not. For ten years I did a lot of legal work for the Canadian government railways, from 1911 to 1921, and I was always interested in the railway. Mr. Girard Ruel, who was general counsel of the railway at that time, paid me the compliment of saying that I had won more law suits for the Canadian National Railway than any other lawyer they ever employed. Therefore, I want it to be understood that while I am critical of lots of things I am not an enemy of this railway and I am not looking for railway votes for I have very few of them in my constituency.

Mr. VAUGHAN: We appreciate that.

Hon. Mr. HANSON: I want to approach the matter from that standpoint. There are things I think we should understand. One of the things that I should like to ask you of a general character is this question. I was not in parliament when the new financial set-up was made, and I am not as familiar with it as I ought to be, but I recall the agitation which took place for quite a number of years prior to—was it 1937?

Hon. Mr. MICHAUD: Yes.

Mr. COOPER: The Capital Revision Act was in 1936.

Hon. Mr. HANSON: Prior to that time, for a revision of the capital structure, if that is the right term to use. My understanding is that the effect of that legislation was to eliminate from your balance sheet the operating deficits up to that time. I am just querying that because I am not quite certain about the statement. Valueless stocks with which you were debited in your balance sheet were eliminated. I cannot recall if the capital stock of the company itself was reduced at that time or not. I should like to ask you if, in your opinion, there is to-day a satisfactory financial set-up?

Mr. VAUGHAN: I presume, Mr. Hanson, you refer to our fixed charges?

Hon. Mr. HANSON: Yes, I do.

Mr. VAUGHAN: We consider that our fixed charges to-day are out of all relation to our earning power as compared with class one railroads in the United States or even compared with the Canadian Pacific Railway.

Hon. Mr. HANSON: That is the point I was coming to. You say that your fixed charges are out of line with your earning power as compared with class one railways in the United States. Are your people here—I think Mr. Cooper might be able to—able to give us the funded debt of the privately-owned railways that went into the system in 1919, was it, like the Grand Trunk?

Mr. VAUGHAN: About 1918.

Hon. Mr. HANSON: The Grand Trunk Pacific and the Canadian Northern, and then how much has been added to that funded debt by the consolidated corporation? There is no doubt about it you had to assume a very large funded obligation of companies that could not go on due to war conditions, and otherwise. If we could just have a little review of that picture it might be illuminating as illustrating the difficulties which you have and which you say operate against your showing having regard to your earning power. I do not know whether I have made myself clear or not.

Mr. VAUGHAN: I know exactly what you want. I do not know whether Mr. Cooper has any figures here on that or not.

Hon. Mr. HANSON: If he cannot give them now he can give them a little later on.

Mr. COOPER: I could say this, Mr. Hanson, that going back to the Capital Revision Act of 1936 what was done at that time was to write out of our balance sheet the worthless capital stocks of the Grand Trunk and the Canadian Northern.

Hon. Mr. HANSON: What were they carried at, if you recall from memory? Let us see what the write-down was?

Mr. COOPER: In the nature of \$275,000,000.

Hon. Mr. HANSON: In round figures?

Mr. COOPER: Yes, I am speaking from recollection.

Hon. Mr. HANSON: That, of course, did not affect your earning power; you paid no dividends on that, but it was an asset that was worthless. Is that the idea?

Mr. COOPER: It was a capital stock liability, but the stocks themselves were deemed to have no value, and on that account were taken out of our balance sheet.

Hon. Mr. HANSON: Nobody suffered anything from that and nobody gained anything from that. That was really a washing-out item which had the effect, did it not, to just improve on paper your position?

Mr. COOPER: Yes. I would describe it as a bookkeeping transaction entirely.

Hon. Mr. HANSON: A bookkeeping transaction.

Mr. COOPER: It had no effect whatever on the financial results of the property. Then, in addition, we dealt with the debt to the Dominion.

Hon. Mr. HANSON: That was improved?

Mr. COOPER: Loans which had been made by the Dominion for deficits, and interest on such loans—

Hon. Mr. HANSON: Up to what period?

Mr. COOPER: To the end of 1936 were also eliminated from our balance sheet.

Hon. Mr. HANSON: How much did that amount to? I am asking these questions because I was not here at that period and I am not familiar with the picture. I just want to get a preview of it.

Mr. COOPER: I told you that the approximate value of the capital stocks written out was \$275,000,000. Referring to the Capital Revision Act itself I see the amount is \$262,000,000.

Hon. Mr. HANSON: Only a question of a few millions.

Mr. COOPER: Government loans for deficits amounted to \$373,000,000.

Hon. Mr. HANSON: That would include interest?

Mr. COOPER: No, without interest.

Hon. Mr. HANSON: That was the principal of loans to cover deficits?

Mr. COOPER: Yes.

Hon. Mr. HANSON: Was accumulated interest charged too?

Mr. COOPER: There were accumulated interest charges of \$530,000,000.

Hon. Mr. HANSON: And that was carried by you as a liability, too?

Mr. COOPER: Up to that time.

Hon. Mr. HANSON: So that the cancellation of that affected your balance sheet by nearly \$1,000,000,000?

Mr. COOPER: \$1,167,000,000.

Hon. Mr. HANSON: Was that the only relief you received? Of course, that is quite substantial.

Mr. COOPER: In addition loans by the government which had been used for capital purposes were transferred from the category of an interest bearing debt to what is called share capital.

Hon. Mr. HANSON: They took stock?

Mr. COOPER: They took shares in what we call the Canadian National Securities Trust.

Hon. Mr. HANSON: How much did that amount to?

Mr. COOPER: It was around \$270,000,000.

Hon. Mr. HANSON: So that there was lifted from your shoulders about \$1,300,000,000.

Mr. COOPER: The \$270,000,000 of capital debt was not entirely removed from the balance sheet; it was changed from an interest bearing debt to share capital.

Hon. Mr. HANSON: It was changed to another form of liability?

Mr. COOPER: Yes.

Mr. HANSON: Proprietorship.

Mr. COOPER: Yes.

Hon. Mr. HANSON: And therefore it did not appear as a debt against the corporation?

Mr. COOPER: That is correct.

Hon. Mr. HANSON: In other words, you had the benefit to the tune of nearly \$1,300,000,000?

Mr. VAUGHAN: Except that we do not think those charges should ever have been there.

Hon. Mr. HANSON: That is another question.

Mr. VAUGHAN: It is hardly a relief when it is something that should not have been there.

Hon. Mr. HANSON: They were there whether you liked it or not, and it is not your responsibility that they were there or any of the present executive. They were the accumulation of the years, and I suppose the government of the day, whatever government it was, made you assume them. That money was

transferred to the taxpayers of the country; they have assumed it, and as far as we are concerned it is not very profitable for us to consider, but I want to consider what the betterment of your condition was. That did not affect your earning power, did it?

Mr. COOPER: There was another part of your question as to whether the relief obtained created what might be called a reasonable capital structure.

Hon. Mr. HANSON: That is right.

Mr. COOPER: I think the answer is very definitely it did not.

Hon. Mr. HANSON: You mean it did not go far enough?

Mr. COOPER: No.

Hon. Mr. HANSON: You say it did not go far enough?

Mr. COOPER: Yes.

Hon. Mr. HANSON: In what respect?

Mr. COOPER: I think that the test of that is to compare the ratio which our fixed charges bear to our gross revenues with the ratio which the fixed charges of other railroads bear to revenues.

Hon. Mr. HANSON: In other words, you say the ratio of the fixed charges is higher, relatively, than it ought to be?

Mr. COOPER: Yes; very definitely so.

Hon. Mr. HANSON: As compared with other corporations of a like character?

Mr. COOPER: Yes.

Hon. Mr. HANSON: Are you referring to the fixed charges against the constituent companies that went into the amalgamation, like the Grand Trunk, the Grand Trunk Pacific and the Canadian Northern, which you had to meet?

Mr. COOPER: I am referring to the fixed charges which remained after the Capital Revision Act had been made effective.

Hon. Mr. HANSON: But the main ones were the three I have indicated, were they not?

Mr. COOPER: Yes.

Hon. Mr. HANSON: Is there any consideration given to any part of the obligations of the government put out with respect to the old Intercolonial and the National Transcontinental? You never had to assume any of those at any time?

Mr. COOPER: We carry them in the balance sheet. We carry the cost of the Intercolonial Railway.

Hon. Mr. HANSON: As against the value, do you?

Mr. COOPER: Yes. On the asset side we have the ledger value of all of the government railways; and on the other side we have as a liability to the government, under the heading of "Proprietors Capital", the offsetting amount. I should like to go back to the fixed charges and tell you why I believe they are too high.

Hon. Mr. HANSON: I have invited you to do so. I wish you would.

Mr. COOPER: Taking 1939 as the last pre-war year, the percentage of fixed charges to operating revenues of Class 1 roads in the United States was 15.21.

Hon. Mr. HANSON: That is in the report?

Mr. COOPER: No, sir.

Hon. Mr. HANSON: Is there not reference to that in the president's report?

Mr. VAUGHAN: Not to this particular figure.

Hon. Mr. HANSON: Pardon me.

Mr. COOPER: That is to say, out of every \$100 of revenue that Class 1 railroads of the United States earned, \$15 was required to pay their fixed charges.

Hon. Mr. HANSON: Yes.

Mr. COOPER: In the case of the Canadian Pacific, for instance, the figure is \$16.12 per \$100 of revenue. In the case of the Canadian National Railways, the figure is \$26.24.

Hon. Mr. HANSON: Yes.

Mr. COOPER: In 1942 the proportion of fixed charges to gross revenue of Class 1 roads is 8.82. Taking some of the railroads themselves, I will give you the percentages: the Pennsylvania percentage is 9.16; New York Central is 8.17; Southern Pacific is 6.07; Atchison, Topeka and Sante Fe is 2.72; the Union Pacific is 4; Baltimore and Ohio is 6.49; the Canadian Pacific is 8.87, but the Canadian National is 13.75.

Hon. Mr. HANSON: Did you give us the C.P.R. there?

Mr. COOPER: 8.87.

Hon. Mr. HANSON: They are about in the average?

Mr. COOPER: Ours is 13.75.

Hon. Mr. HANSON: You attribute that to the huge amount of capital indebtedness that was loaded into the system at the time of the amalgamation?

Mr. COOPER: Yes.

Hon. Mr. HANSON: I suppose it is a matter of government policy whether it should stay there or not. I suppose we shall have to leave it at that.

Mr. COOPER: We hope it will come down.

Hon. Mr. HANSON: I beg your pardon?

Mr. COOPER: I say, we hope it will come down soon.

Hon. Mr. HANSON: If Mr. Coldwell gets in power, he is going to nationalize you and take it all out, I expect. That would be an interesting inference.

Hon. Mr. MICHAUD: Now you are starting something.

Mr. MAYBANK: It was eight point something as against 13 point something, as between the C.P.R. and the C.N.R., so possibly you would be at once brought into the average position, so that both railroads are the same.

Mr. COOPER: I think it is a reasonable proposition to advance that the fixed charges of the Canadian National system in relation to gross revenues should be somewhat uniform with the other railroads.

Hon. Mr. HANSON: Yes, if the conditions were the same. But of course I think one of the troubles with this system, and one which I have always recognized, is that government policy has loaded you up with a lot of unprofitable lines. We know it in the east.

Mr. COOPER: Of course, it was the government policy of 1914, 1918 and 1920.

Hon. Mr. HANSON: That was during the war. But since then, look at the smaller lines that have been put into the system, just to keep them going, lines that would not have gone at all. That is a great liability.

Mr. VAUGHAN: It is a liability, but I suppose transportation had to be provided for those people.

Hon. Mr. HANSON: Well, I suppose that is the answer. I will come right down home. We have one in my country between Saint John and Quebec, which was built with the consent of both political parties because the location of the transcontinental slashed right across the province where it did not serve any useful local purpose, and where Nova Scotia imposed its will on New Brunswick. That is what happened. There is a line that the government took over after a long period of time, which must have been an obligation to this road, always. I

can name you a few branch lines down in that country. I listened to the plea for ten years about the Gaspé Railway. That was another important adjunct to the Canadian National. Those things have all added to your burden, Mr. Vaughan.

Mr. VAUGHAN: Undoubtedly. As you know, about 30 per cent of the railways in the United States were in receiver's hands, and their fixed charges were adjusted on the basis of 3 to 6 per cent of the average gross earnings from 1936 to 1939. Take the Topeka line. They had fixed charges of eight and a half million, and it has been cut down to \$54,000 a year.

Hon. Mr. HANSON: They put them through receivership. But you cannot do that?

Mr. VAUGHAN: We cannot do it. We have to continue to assume all these burdens.

Hon. Mr. HANSON: I suppose it is on the theory that the government cannot repudiate. Is that the idea?

Mr. DONNELLY: Cannot break a contract.

Mr. VAUGHAN: The government cannot repudiate its guarantees.

Hon. Mr. HANSON: Anyway there is the position; you have this burden willy nilly and it puts you in that unenviable position.

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: Compared with other lines.

Mr. VAUGHAN: Yes, especially when traffic is light.

Hon. Mr. HANSON: Yes, especially when traffic is light. That brings you down to the point where you get some relief anyway from government obligations, but not enough, you say.

Mr. VAUGHAN: It was some relief in one sense, but in another sense it was not, because that charge should never have been there.

Hon. Mr. HANSON: Well, that is a matter of argument. You and I could not settle it, anyway.

Mr. VAUGHAN: No.

Hon. Mr. HANSON: I am not sure you are right, and I do not know enough about it to say that I am right. I am coming now to the point after the 1936 statute. You had some difficult periods then?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: Due to the two factors that you have covered, light traffic and overhead, too much for fixed charges?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: What have those aggregated, Mr. Cooper, down to the time when you got out of the red?

Mr. COOPER: That is from 1937 to 1939?

Hon. Mr. HANSON: Whenever you turned the corner?

Mr. COOPER: In 1937 we had a deficit of \$42,000,000.

Hon. Mr. HANSON: Which the government advanced to you and charged you interest on?

Mr. COOPER: I beg your pardon?

Hon. Mr. HANSON: The government advanced that to you?

Mr. COOPER: They contributed it.

Hon. Mr. HANSON: You used the word "contributed". They paid it to you?

Mr. COOPER: They paid it to us.

Hon. Mr. HANSON: Did they lend you the money or give it to you?

Mr. COOPER: They gave it to us.

Hon. Mr. HANSON: They gave it to you?

Mr. COOPER: That is, they absorbed our deficit. They did not treat it as a loan.

Hon. Mr. HANSON: What did you give them in return?

Mr. COOPER: Nothing, except services.

Hon. Mr. HANSON: Oh, you did not set up a credit?

Mr. COOPER: No.

Mr. MAYBANK: They did not carry that as a debt.

Hon. Mr. HANSON: Was that giving effect to the statute or was it because of a provision of the statute?

Mr. COOPER: There was a vote of the house that covered it.

Hon. Mr. HANSON: I know how the money would have to be advanced.

Mr. COOPER: It was voted as a contribution and not as a loan.

Hon. Mr. HANSON: Not as a loan. That was in the session of 1937-1938?

Mr. COOPER: Yes, I think so. I have forgotten which session it was. Mr. Rhodes was finance minister then. There was a retroactive period there of a year or so.

Hon. Mr. HANSON: It could not have been Mr. Rhodes.

Mr. DONNELLY: Mr. Rhodes was in 1935 or 1934.

Mr. MAYBANK: This was 1937.

Hon. Mr. MICHAUD: In order to set the record right, the Act was passed in the session of 1937.

Hon. Mr. HANSON: That is what I thought. He said 1936.

Hon. Mr. MICHAUD: No. The Act was passed in 1937.

Hon. Mr. HANSON: The next year there was a deficit of how much?

Mr. COOPER: In 1937 the deficit was \$42,000,000.

Hon. Mr. HANSON: \$43,000,000?

Mr. COOPER: \$42,000,000.

Hon. Mr. HANSON: And that was paid by the government out of the vote of parliament?

Mr. COOPER: Right.

Hon. Mr. HANSON: How was it handled as a matter of book-keeping?

Mr. COOPER: By us?

Hon. Mr. HANSON: Was it credited by you to the government or did they charge it to you in their books?

Mr. COOPER: No. We had a deficit recorded on our books of \$42,000,000. We received that amount of money from the government.

Hon. Mr. HANSON: Nobody got any credit for it?

Mr. COOPER: As far as we are concerned, we took credit for it in the profit and loss account. In the government accounts it was charged to consolidated revenue.

Mr. MAYBANK: It was shown in your account simply as an increment of revenue?

Mr. COOPER: In our account we had a deficit and we charged it against the government. They paid us the amount, and that settled the account.

Hon. Mr. HANSON: There was not any obligation arising?

Mr. COOPER: No.

Hon. Mr. HANSON: There was no obligation. We understand that. The next year what was the amount of the deficit?

Mr. COOPER: \$54,000,000.

Hon. Mr. HANSON: That would be in the year 1938?

Mr. COOPER: Yes. In 1939 it was \$40,000,000.

Hon. Mr. HANSON: And it was treated in the same way?

Mr. COOPER: Yes. And in 1940 it was \$16,000,000.

Hon. Mr. HANSON: What did you say it was in 1940?

Mr. COOPER: In 1940 it was \$16,000,000.

Hon. Mr. HANSON: And in 1941?

Mr. COOPER: In 1941 we had a surplus of \$4,000,000.

Hon. Mr. HANSON: What are the total amounts of the deficits up to the point where you have turned the corner? I cannot do all this in my head.

Mr. COOPER: \$152,000,000.

Hon. Mr. HANSON: Then will you proceed down to and including 1943?

Mr. COOPER: In 1941 we had a surplus of \$4,000,000. In 1942 we had a surplus of \$25,000,000. In 1943 we had a surplus of \$35,000,000.

Hon. Mr. HANSON: That is how much altogether?

Mr. COOPER: \$64,000,000.

Hon. Mr. HANSON: As against deficits of what?

Mr. COOPER: \$152,000,000.

Hon. Mr. HANSON: What happened with regard to that money, the surpluses that you had? You pay that to the government do you?

Mr. VAUGHAN: Yes. We pay it back in cash to the government.

Hon. Mr. HANSON: You pay it back in cash to the government. Do they take that into the Consolidated Revenue Account?

Mr. COOPER: Which is that?

Hon. Mr. HANSON: How do they treat that? How did the government treat your \$35,000,000 surplus this year if you know?

Mr. COOPER: They have applied it against our indebtedness, I understand.

Hon. Mr. HANSON: In other words, in the government books they charged you with the deficits they paid since 1937?

Mr. COOPER: No. They applied our surpluses against our indebtedness for capital.

Hon. Mr. HANSON: Concurrently with the payment of these deficits that we speak of from 1937 to 1940, there were capital advances.

Mr. COOPER: Yes.

Hon. Mr. HANSON: What were they by years, and how much do they amount to? This may seem to be foolish to some of you—

Mr. MAYBANK: I think it is very good, sir.

Hon. Mr. HANSON: It is informative, and I should like to have it.

Mr. MAYBANK: I think it is very good from many points of view. I think you have the general approval of the committee.

Mr. COOPER: I should like to go back, Mr. Hanson, before I answer the other question. I gave you the deficits subsequent to the passing of the Capital Revision Act.

Hon. Mr. HANSON: That is what I was asking for.

Mr. COOPER: It has been drawn to my attention that this arrangement with respect to the assumption by the government of deficits started before the Capital Revision Act. It really commenced in the year 1932.

Hon. Mr. HANSON: Yes. I should have known that. I had forgotten that. I suppose, to make the picture complete, that we ought to have it from 1932 on. Perhaps you could supply that to the reporter for the purpose of the record, giving those figures from 1932 on. It was treated in exactly the same way as you have suggested?

Mr. COOPER: Yes.

Hon. Mr. HANSON: We ought to have the whole picture. If you hand into the reporter the totals for those years, and then the grand total, it would cover the situation. Now you are going to give me the capital advances.

Mr. COOPER: Yes. I am sorry I have not got them by years, but they began in the year 1932.

Hon. Mr. HANSON: And after the passage of the so-called Canadian National-Canadian Pacific Railway Act?

Hon. Mr. MICHAUD: Yes.

Mr. COOPER: As I understand it, there was a change in the financial policy of the Government.

Hon. Mr. HANSON: By the government.

Mr. COOPER: As explained by the Minister of Finance in the budget speech of March 21, 1933.

Hon. Mr. HANSON: Oh, yes.

Mr. COOPER: Perhaps I should read this.

Hon. Mr. HANSON: That is Mr. Rhodes?

Mr. COOPER: This is Mr. Rhodes. I will read what he said:

One of the recommendations of the Royal Commission on Railways and Transportation, to which effect is being given in the legislation now before parliament, is that sums which are required to meet deficits should be voted by parliament annually. To implement this recommendation, the government has submitted an estimate of \$53,422,661 in respect of the income deficit of the system in 1932 (excluding the loss on eastern lines already provided for by vote.)

Hon. Mr. HANSON: By another vote.

Mr. COOPER: Then he went on:—

This amount will be credited against the loans of \$61,500,000 above referred to, leaving a balance owing the government of \$8,077,339, which will remain standing as an interest-bearing loan, representing as it does outlay for capital account and debt reduction.

Beginning with that amount of \$8,000,000 in 1932, which was the residue of the loan of \$61,000,000, (of which \$53,000,000 was deficit and \$8,000,000 was capital,) as we say in our annual report, the government has advanced us for capital purposes—

Hon. Mr. HANSON: What page are you referring to?

Mr. COOPER: Page 11 of the annual report. In the interval the government has advanced us in all \$537,000,000, and that has been used for the purposes shown—repatriation of securities, \$588,000,000; redemption of matured securities, \$94,000,000; purchase of new rolling stock, \$40,000,000; and additional working capital, \$14,000,000; a total of \$537,000,000.

Hon. Mr. HANSON: That is very interesting, is it not—\$537,000,000 of government loans since 1932. That is the total since 1932?

Mr. COOPER: Yes.

Hon. Mr. HANSON: Starting with the \$8,000,000 you referred to.

Mr. COOPER: Yes.

Hon. Mr. HANSON: The major part of it was for repatriation of securities held in England?

Mr. COOPER: Yes.

Hon. Mr. HANSON: Those were Grand Trunk securities?

Mr. COOPER: Principally Grand Trunk.

Hon. Mr. HANSON: Would there be a substantial capital saving by that operation?

Mr. COOPER: Yes, there was.

Hon. Mr. HANSON: How much?

Mr. COOPER: The report says that as against a par value of \$408,000,000 the purchase price was \$388,000,000.

Hon. Mr. HANSON: That is the gross.

Mr. COOPER: Approximately \$20,000,000 of capital gain.

Hon. Mr. HANSON: Now, that would be partly in depreciation of value at which you bought below par and some item of exchange?

Mr. COOPER: Yes.

Hon. Mr. HANSON: What is the proportion for each? Say, \$20,000,000: what was that comparable to—

Mr. COOPER: I would have to analyze the figure to separate it.

Hon. Mr. HANSON: It is not really important; the thing is you saved \$20,000,000.

Mr. COOPER: There was a capital gain of \$20,000,000.

Mr. DONNELLY: As regards this \$388,000,000, was that paid out in cash by the government or how was it paid?

Mr. COOPER: The holders in the United Kingdom were paid by the Bank of England; the Bank of England bought the securities from residents of the U.K.

Hon. Mr. HANSON: Was it under the War Measures Act?

Mr. COOPER: Yes, it is part of an arrangement between Canada and the United Kingdom for the financing of the war.

Hon. Mr. MICHAUD: That amount was credited to England and applied against goods sold to Canada.

Hon. Mr. HANSON: It is a bookkeeping entry. The fact is that the Canadian National are better off by \$20,000,000, it was done by credits from the Canadian government and charged against the Canadian National.

Mr. COOPER: Yes.

Mr. VAUGHAN: Of course, we pay the government $3\frac{1}{2}$ per cent interest on the money.

Hon. Mr. HANSON: Three and one-half per cent. I do not know why they should not give it to you for 3.

Mr. VAUGHAN: We would like it on an income charge basis where we would only pay interest if earned.

Hon. Mr. HANSON: This is on money between the taxpayers. I think you ought to pay interest but I do not think you ought to pay more than the cost to the government plus a service charge.

Mr. COOPER: We would not know what it cost the government. As far as we are concerned the government charged us $3\frac{1}{2}$ per cent.

Hon. Mr. HANSON: That is arbitrary; you had to agree to it. Now, then you had the reduction of matured securities under the 1938 Refunding Act of \$94,000,000. I am not familiar with what that is, explain that; is it part and parcel of the \$538,000,000?

Mr. COOPER: For example, we had an issue of \$55,000,000 of 2 per cent 7-year guaranteed bonds which matured February 15, 1943. The government lent us \$55,000,000 with which to retire these 7-year bonds.

Hon. Mr. HANSON: That was pre-payment; 1943?

Mr. COOPER: No, they became due for payment in 1943.

Hon. Mr. HANSON: They were issued under the Act of 1938 and matured in 1943?

Mr. COOPER: The Government advanced the Canadian National money to redeem the bonds under the 1938 Refunding Act, and charged us $3\frac{1}{2}$ per cent on the \$55,000,000.

Hon. Mr. HANSON: You still owe that?

Mr. COOPER: Yes, we still owe that.

Mr. HANSON (*Skeena*): What interest were you paying before that time?

Mr. COOPER: Two per cent.

Mr. HANSON (*Skeena*): The government is charging you more than you were paying before.

Mr. COOPER: Yes.

Mr. VAUGHAN: They jumped the rate from two per cent to three and one-half per cent.

The CHAIRMAN: Would it be in order for us to consider this report before indulging in any further interrogation?

Hon. Mr. HANSON: I am in the hands of the committee, but I think this is important.

The CHAIRMAN: I think it is important too but I think the time to consider it is after. However, it is a matter of what the committee wishes.

Hon. Mr. HANSON: I think the committee and not the chairman ought to direct.

The CHAIRMAN: I am not trying to direct; I am making a suggestion to the committee.

Hon. Mr. HANSON: All right, call it what you like, but you are trying to head me off as I see it.

Mr. MAYBANK: You do not want to be headed off.

Hon. Mr. HANSON: No.

Mr. JACKMAN: Could you not issue some shorter term securities in five or ten years which would bear a rate less than 3 per cent without a government guarantee if you were a free agent?

Mr. VAUGHAN: We could not do that without interfering with the government's financial plans.

Hon. Mr. HANSON: It is a question of policy during the war. They do not want you or me or anybody else to go to the market to borrow money. I think that is fair. I think $3\frac{1}{2}$ per cent,—

Mr. JACKMAN: But the government does allow governments to refund issues. Here you have a 2 per cent obligation outstanding and it matures and you have to get your funds from the government at $3\frac{1}{2}$ per cent. That is a very substantial increase, whereas a private company would be allowed to refund that issue. Some bond holders take a lower yielding security, and there is a substantial

saving to the borrowing corporation. Why should the railway company be in a worse position than the ordinary citizen of the country?

Mr. VAUGHAN: The government are our bankers and we have to do as they say in financial issues.

Hon. Mr. HANSON: Don't you have any argument with them?

Mr. VAUGHAN: Indeed we do. We think, generally speaking, the government has been fair. We have a discussion when every loan comes due as to the interest. We have some other loans coming due, and I think we will be able to make satisfactory arrangements with the government in regard to them.

Hon. Mr. HANSON: Now, you have capital advances of \$537,000,000 owing to the government, borrowing, generally speaking, at $3\frac{1}{2}$ per cent, and against that they have been crediting the revenue payment that you have made to them of the \$35,000,000, \$25,000,000 and \$4,000,000; that goes as a reduction?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: You are paying your debt before you are paying anything else?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: You are reducing your overhead charges?

Mr. VAUGHAN: That is what we have in mind.

Hon. Mr. HANSON: Now, then, there is still a substantial balance against you for operating deficits that the government have paid, have there not? You do not call it a balance against you, but on the books of the company.

Mr. COOPER: The government does not hold it against us.

Hon. Mr. HANSON: It is not an enforceable thing, but they pay it out of the taxpayers' money. Now, we are in a war and you are doing well and making money, and if you could hold your operating expenses down you would do a lot better. What do you conceive to be—I will ask the reporter not to take this down.

(Several questions and answers off the record)

I would like the president of this system to explain to the Canadian people what the position is—perhaps he has it all in his report or part of it—what the position is of this road and the Canadian Pacific with respect to earning power, having regard to rates, freight, passenger traffic, compared with other class 1 roads in America. What is your position relatively to all the other big railroads of the world?

Mr. VAUGHAN: Our position is that our revenue per ton mile is lower than that of any country of the world except Japan.

Hon. M. HANSON: You mean your rates.

Mr. VAUGHAN: Our average revenue. The average revenue per ton mile in Canada is lower than it is in any other country in the world, and our expenses are naturally very much higher.

Hon. Mr. HANSON: Are you frozen?

Mr. VAUGHAN: Our rates are frozen.

Hon. Mr. HANSON: Your rates are frozen?

Mr. VAUGHAN: Absolutely.

Mr. DONNELLY: They are controlled?

Hon. Mr. HANSON: They are all controlled; frozen and controlled are two different things.

Mr. VAUGHAN: They are frozen for the duration of the war.

Hon. Mr. HANSON: That is not true of your operating expenses?

Mr. VAUGHAN: No, sir.

Hon. Mr. HANSON: They have continually risen?

Mr. VAUGHAN: Yes, sir.

Hon. Mr. HANSON: I think that ought to be made public because that is the experience of every business in Canada with a ceiling policy.

Mr. DONNELLY: How does your passenger rate compare with that of American lines?

Mr. COOPER: I have our own passenger rate but I do not know that of others. It was 1·8 cents in 1943.

Mr. VAUGHAN: Mr. Donnelly, you asked about our passenger rates. Our average revenue per passenger mile in 1939 was 2·035 cents and in 1943 it was 1·848 cents. So our average revenue per passenger mile was considerably less in 1943 than it was in 1939. Our average revenue per freight ton mile was approximately the same in 1943 as it was in 1939.

Mr. DONNELLY: What was that?

Mr. VAUGHAN: ·9 cents—·90; that is 9/10ths of 1 cent.

Mr. HANSON (*Skeena*): How does that compare with the C.P.R.?

Mr. DONNELLY: Can you give us that for any American roads?

Mr. VAUGHAN: I have given you the wrong figures. The rate in 1939 was ·00938 and in 1943 it was ·00894, a decrease of 4·69 per cent. That is, our revenue was 4·69 per cent per ton mile less in 1943 than it was in 1939.

Mr. DONNELLY: Less than a cent per ton mile?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: What is the comparable figure for the United States lines and the C.P.R.?

Mr. VAUGHAN: The Canadian National figure in 1942 was ·909 and the average for class 1 railways in the United States in 1942 was ·932.

Hon. Mr. HANSON: So that both Canadian roads are below the average in the United States?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: And that means that you have lower rates?

Mr. VAUGHAN: Yes.

Mr. DONNELLY: Have you the rates of any other countries outside of Canada and the United States?

Mr. VAUGHAN: The rates outside of Canada are very much in excess of our rates. Take, for instance, South Africa or India or Australia or New Zealand or even England; they are about two or three times our rates.

Mr. DONNELLY: New Zealand, I understand, has a rate of 3 cents per ton mile.

Mr. VAUGHAN: Yes, very nearly. All of those countries have very much higher freight rates than we have.

Hon. Mr. HANSON: But you are still below the United States?

Mr. VAUGHAN: We are still below the United States, and our materials on the average cost us, I suppose, 20 or 30 cents more than they do in the United States.

Hon. Mr. HANSON: There is another aspect of the thing—

Mr. DONNELLY: We carry grain lower than they do in any other country in the world.

Hon. Mr. HANSON: I suppose we always have since we have had the Crow's Nest rates fastened on us by statute.

Mr. DONNELLY: We are not getting the full effect according to the agreement—we cannot get the full effect of the Crow's Nest Pass as it was.

Mr. MAYBANK: If he is going to try to repeal the Crow's Nest rates we had better send out for enforcements.

Hon. Mr. HANSON: No, I do not think any public man in Canada will ever attempt to do that.

Mr. VAUGHAN: I can give you something with regard to grain rates in Canada comparable with rates in the United States. Take the rate to Fort William from Woodridge, Manitoba, 369 miles, 14 cents per 100 pounds and then take a place like Elmdale, North Dakota, about 365 miles, to Duluth and the rate is 22 cents. In that particular case the United States railways get 57 per cent more than we do. Take the case of Atwater, Saskatchewan, 685 miles from Fort William, our rate is 19 cents per 100 pounds while on the American side from Homstead to Duluth, a distance of 686 miles, the American rate is 34 cents or 79 per cent greater than ours. And it follows that way all the way along.

Hon. Mr. HANSON: That is what I understood it was, and you are powerless to make any changes, at least during the war.

Mr. VAUGHAN: Our average rate on grain in 1943 was .00549.

Hon. Mr. HANSON: And the C.P.R. is the same?

Mr. VAUGHAN: Yes, ours are comparable with the C.P.R.

Hon. Mr. HANSON: On the other side of the picture, we had the Trans-Canada Airways yesterday and you know there was a slight leak in their operating expenses?

Hon. Mr. HANSON: Mr. Symington made a stab at explaining it, perhaps he did to his own satisfaction but he did not to mine. What has been the chief burden in your operating expenses—perhaps I should not use the word “burden”—what have been the chief items of increase?

Mr. VAUGHAN: In that first statement I gave you for the four years from 1940, Mr. Hanson, I stated that the cost of living bonus was \$40,500,000 and that the increase to employees on the United States lines amounted to \$7,500,000.

Hon. Mr. HANSON: That is your line?

Mr. VAUGHAN: Yes. I stated that the price of coal had gone up from \$3.76 per ton in 1939 to \$5.43 per ton, and that is just an indication of the way costs have increased.

Hon. Mr. HANSON: Are those the chief items?

Mr. VAUGHAN: Yes. In nearly every item that we purchase the cost of the commodity has increased very substantially.

Mr. WALTON: There are a couple of other considerations if you would care to mention them. There is no question that with over 17,000 of our employees in the armed forces, who constitute the young, vigorous element, and have been replaced to a large extent by inexperienced help, that has forced up our expenses.

Hon. Mr. HANSON: I have no doubt that is true. I can quite understand that. I think that is the experience with everybody. I know we had to shut down one of our mills because we just could not run it on school boys and old men.

Mr. DONNELLY: You have compared the freight rate with regard to grain. Have you anything comparing the freight rate in Canada and the United States with regard to cattle?

Mr. VAUGHAN: I did not catch that.

Mr. DONNELLY: Have you anything comparing the freight rate in Canada and the United States with regard to cattle?

Mr. VAUGHAN: No, I have not anything of that kind here.

Hon. Mr. HANSON: Perhaps we are a little too far afield. I just wanted to get a general picture.

Mr. DONNELLY: That is very important with us. Some of them go to Chicago and some to Winnipeg.

Hon. Mr. HANSON: I wanted to get the whole picture.

Mr. NICHOLSON: Can we have the president proceed with his report now?

Mr. JACKMAN: In regard to a question raised by Mr. Hanson previously Mr. Cooper gave us the percentage of fixed charges to operating revenue for class one railroads in the United States and the C.N.R. and the C.P.R. Of course, most of those class one railroads that you mentioned, being class one, are all very good railroads. I think we agree on that. Most of them have a substantial value attached to their equity, to their common stocks, all of which are paying dividends, and I think by looking at the list they have all paid dividends right even through the depression.

Hon. Mr. HANSON: Not all of them.

Mr. VAUGHAN: That covers railroads, good and bad.

Mr. WALTON: Over a million gross earnings, is it not? The reference to class one really has not any regard as to whether they are a first class railroad or not. It is based on their earning power. Anything over a million dollars per annum of gross earnings is classed as a class one railroad.

Mr. VAUGHAN: There were very few railroads during the depression that paid any dividends in the United States. You could count them on one hand.

Mr. JACKMAN: There was the Pennsylvania, Santa Fe, B. & O.

Mr. VAUGHAN: You had the Pennsylvania. The New York Central did not pay any. The Union Pacific paid and the Norfolk & Western, and I think the Chesapeake and Ohio, the coal roads, but outside of that practically every railroad in the United States suspended dividends during the depression period and, in fact, one-third of the mileage was in the receiver's hands, and a substantial mileage of the United States is still in the receiver's hands.

Hon. Mr. HANSON: They are coming out.

Mr. VAUGHAN: They are coming out with greatly reduced fixed charges.

Hon. Mr. HANSON: They have been re-financed. The whole picture boils itself down to this as far as the Canadian National is concerned. The country has put in in one form or another—I think myself chiefly in opening up the country—over \$3,000,000,000, and you have had to carry an undue proportion of that load. Pioneer railroading, as we had to have it in Canada, or thought we had to have it—it is hardly worth while to go back into the history of that—has cost a lot of money?

Mr. VAUGHAN: Yes.

Hon. Mr. HANSON: And on this whole capital structure your suggestion is too large a proportion having regard to your earning power is loaded into the system?

Mr. VAUGHAN: It is our contention, that our fixed charges, based on our gross earning power, are too high.

Mr. NICHOLSON: What sort of percentage should you have? What percentage reduction should you have?

Mr. VAUGHAN: What is our percentage? If we had the average of class one railroads in the United States we would be pretty happy about it, which is 8·8.

Hon. Mr. HANSON: With regard to the question of policy I am not going to ask you—

Mr. MAYBANK: I should like to interject a question if I may. In order to effect that reduction at the present time what number of dollars taken off would

do it? That percentage varies because it is around 8 now, and naturally it varies with your revenue.

Mr. COOPER: On \$300,000,000 of revenue 8·8 would mean fixed charges of \$26,400,000.

Mr. MAYBANK: As against?

Mr. COOPER: In 1943 our interest charges were \$49,000,000.

Mr. VAUGHAN: It would mean nearly cutting our fixed charges in two assuming we had a revenue of \$300,000,000.

Mr. MAYBANK: At the present time it looks like your mortgage is twice as big as it ought to be.

Hon. Mr. HANSON: That raises a question which I was about to proceed with when Mr. Maybank intervened, the policy on the part of the nation itself as to whether that burden should be transferred to the general taxpayers or left where it is, and I do not think we can settle that here.

The CHAIRMAN: Shall we proceed with this report?

Hon. Mr. HANSON: I think I have finished with the general questions that I want to ask.

Mr. VAUGHAN: We have set up our report in a different way this year. You will find on page 4 a statement of our consolidated income accounts. You will remember last year, Mr. Jackman, you asked us if we would set up our figures in a different way. We tried to do that to comply with your suggestion.

Hon. Mr. HANSON: I have forgotten that. What was that brilliant suggestion?

Mr. JACKMAN: A year is a long time.

Mr. VAUGHAN: Last year I think we dealt with the totals.

RESULT OF 1943 OPERATIONS CONSOLIDATED INCOME ACCOUNT

Railway Operating Revenues—	1943	1942
Freight	\$324,899,723.64	\$288,462,195.29
Passenger	66,891,033.94	48,297,257.89
Mail	4,047,893.92	3,967,352.40
Express	17,490,783.01	13,502,725.78
Commercial Telegraphs	7,103,475.65	5,922,227.20
All other	20,183,044.42	15,502,784.84
Total Operating Revenues	\$440,615,954.58	\$375,654,543.00
Railway Operating Expenses—		
Maintenance of Way and Structures	\$ 67,308,429.46	\$ 57,656,537.63
Maintenance of Depreciation of Equipment	72,366,530.73	72,540,489.55
Traffic	5,647,080.21	5,392,336.65
Transportation	159,477,448.33	139,607,558.82
Miscellaneous Operations	5,380,416.75	4,002,852.61
General	14,295,764.02	10,798,899.46
Total Operating Expenses	\$324,475,669.50	\$288,998,674.72
Net Operating Revenue	\$116,140,285.08	\$ 86,655,868.68
Revenue Appropriated for Pension Reserve	19,069,000.00	.....
Net Operating Revenue after Appropriation for Pension Reserve	\$ 97,071,285.08	\$ 86,655,868.68
Taxes	8,390,677.72	6,020,140.74
Equipment Rents—Net Debit	6,488,739.04	5,195,838.43
Joint Facility Rents—Net Debit	557,930.13	509,667.98
Net Railway Operating Income	\$ 81,633,938.19	\$ 74,930,221.53

Other Income—		
Income from Lease of Road and Equipment.....	\$ 56,663.39	\$ 55,002.57
Miscellaneous Rent Income	864,379.75	796,904.21
Income from Non-transportation Property.....	452,410.38	351,632.50
Results of Separately Operated Properties	3,013,645.15	629,843.17
Hotel Operating Income	1,030,033.68	569,723.42
Dividend Income	685,755.62	573,070.75
Interest Income	3,255,316.57	2,680,317.88
Miscellaneous Income	556,359.05	1,295,022.30
Total Other Income	\$ 9,914,563.59	\$ 6,951,516.80
Deductions from Income—		
Rent for Leased Roads and Equipment.....	\$ 1,246,514.40	\$ 1,483,345.19
Miscellaneous Rents	529,207.28	541,459.33
Miscellaneous Taxes	91,427.71	96,057.78
Interest on Unfunded Debt	219,512.32	192,017.48
Amortization of Discount on Funded Debt.....	1,060,464.64	1,012,379.87
Miscellaneous Income Charges and Appropriations...	3,068,782.60	2,291,787.85
Profit and Loss Items—Net	30,136.27	2,219,230.00
Total Deductions from Income	\$ 6,246,045.22	\$ 7,836,277.50
Net Income Available for Payment of Interest...	\$ 85,302,456.56	\$ 74,045,460.83
Interest on Funded Debt—Public.....	30,998,196.32	34,949,557.92
Interest on Government Loans	18,664,848.01	14,032,634.59
CASH SURPLUS	\$ 35,639,412.23	\$ 25,063,268.32

I will give you the totals. The first one is railway operating revenues, this year \$440,000,000 against \$375,000,000 last year; total operating expenses, \$324,000,000 this year as against \$288,000,000 last year; net operating revenue \$116,000,000 this year as against \$86,000,000 last year. This year revenue appropriated for pension reserve is \$19,000,000.

Hon. Mr. HANSON: Could we pause there and ask questions about that because that seems to me to be a new item.

Mr. VAUGHAN: Yes.

Mr. HANSON: I should like to have an explanation of why it is set up. I am not questioning it, mind you.

Mr. VAUGHAN: Might I suggest, Mr. Hanson, that when we come to that later in the report I will deal with it then?

Hon. Mr. HANSON: Very well.

Mr. VAUGHAN: That leaves net railway operating revenue after appropriation for pension reserve of \$97,000,000 against \$86,000,000 last year. Then we have taxes, equipment rents, joint facility rents, leaving net railway operating income of \$81,600,000 against \$74,900,000 last year. Then we have other income in 1943, \$9,914,000, against \$6,951,000 last year. Then we have various deductions from income of \$6,246,000 in 1943 against \$7,836,000 in 1942 leaving net income available for payment of interest in 1943 of \$85,300,000 against \$74,000,000 last year.

Hon. Mr. HANSON: Where are those figures?

Mr. VAUGHAN: Right on the first page, page 4. Then we have interest on funded debt due the public this year of \$30,900,000 against \$34,900,000 last year; interest on government loans in 1943 of \$18,600,000 against \$14,000,000 last year leaving a cash surplus of \$35,639,000 in 1943 against \$25,063,000 in 1942. That in general outlines the result.

Mr. JACKMAN: What was your budget estimate of that cash surplus, Mr. Vaughan?

Mr. VAUGHAN: It was considerably less than that.

Mr. JACKMAN: I thought you were on the right side.

Mr. MAYBANK: What was your estimate?

Mr. VAUGHAN: It was \$25,000,000.

Mr. MAYBANK: You budgeted last year on the experience you had just gone through to get the same thing over again.

Mr. VAUGHAN: We did not know what this year would bring forth so we budgeted for practically the same amount as we had the previous year.

Mr. JACKMAN: May I ask what the budget is for this year? I suppose we will come to it later.

Mr. VAUGHAN: We will come to it later. We have been conservative again.

Mr. MAYBANK: You are budgeting for \$35,000,000?

Mr. VAUGHAN: We are budgeting for a net of \$30,000,000 for 1944.

Hon. Mr. HANSON: You will probably exceed that by quite a lot.

Mr. VAUGHAN: I hope so. Shall I proceed with the report?

The CHAIRMAN: Yes.

Mr. VAUGHAN:

The Honourable J. E. MICHAUD, K.C., M.P.,
Minister of Transport,
Ottawa.

SIR,—In conformity with *The Canadian National-Canadian Pacific Act, 1936*, the board of directors submit the following report of the operations of the Canadian National Railways for the calendar year 1943.

The objective, as in other war years, was to place the full strength of our manpower and facilities behind the war effort of the united nations. To this end all energies have been directed.

The requirements of the armed forces, of industry and agriculture, for transport and other services have been met in all of the nine provinces of the dominion, and in the important sections of the United States in which we operate. These demands were greater than ever before, the traffic moved over the lines of the system, in 1943, being 17·3 per cent greater than in 1942, the previous peak war year, and 44·7 per cent greater than in 1928, the peak peace year. The company also extended its activities as a manufacturer of munitions, ships and naval appliances.

Shortages of labour and materials continued to exist and in the face of a record volume of traffic placed an additional strain upon the railway organization. The management takes pride in the work accomplished by the staff in all branches in the fourth year of the war.

The 1943 operations demonstrated the great earning power of the system, the railway proving again that it can handle an immense volume of business economically as well as expeditiously. After providing from revenue for all operating expenses (including deferred maintenance, depreciation, amortization of defence projects and reserve for inventories) and also a reserve for pension contracts, taxes, interest on funded debt and government loans, the surplus was \$35,639,412. The full income statement for the year appears on the opposite page and shows:

	1943	1942
Operating Revenues..	\$440,615,954 58	\$375,654,543 40
Operating Expenses..	324,475,669 50	288,998,674 72
Net Operating Revenue..	\$116,140,285 08	\$ 86,655,868 68
Revenue Appropriated for Pension Reserve.	19,069,000 00	.....
Net Operating Revenue after appropriation for Pension Reserve..	\$ 97,071,285 08	\$ 86,655,868 68
Taxes, Equipment and Joint Facility Rents.	15,437,346 89	11,725,647 15
Net Railway Operating Income..	\$ 81,633,938 19	\$ 74,930,221 53
Other Income, less deductions..	Cr. 3,668,518 37	Dr. 884,760 70
Interest on Funded Debt—Public..	30,998,196 32	34,949,557 92
Interest on Government Loans..	18,664,848 01	14,032,634 59
Cash Surplus..	\$ 35,639,412 23	\$ 25,063,268 32

All the resources of the company, human and material, were utilized to the utmost to handle the immense flow of traffic, freight, passenger and express, that developed as the tempo of war quickened during the year. This volume of business was handled by a staff which numbered only 6.9 per cent more than in 1942; with an increase of 0.2 per cent in the number of locomotives owned, and with increases of only 2.5 per cent and of 2 per cent respectively in the numbers of freight and passenger cars owned by the system. It is interesting to note that the vastly increased war traffic in 1943 was handled with 16.6 per cent fewer locomotives, 15.4 per cent fewer freight cars and 5.1 per cent more passenger cars than was the traffic of 1917, the fourth year of the last World War. However, the ability of the system to absorb increased responsibility is dependent upon its obtaining necessary manpower, equipment and materials.

Shortages of general supplies, rationing and other wartime controls, together with greatly increased demands for accommodation and service, placed heavy burdens upon the management of the company's hotels. The directors, therefore, take special pride in reporting that the high standard of service of the eight all-year-round hotels wholly operated by the company was fully maintained and that, without exception, these hotels reported larger revenues in 1943 than in 1942. All the summer hotels of the company remained closed in 1943.

OPERATING REVENUES

Operating revenues were the largest in the company's history. They amounted to \$440,616,000, exceeding by \$64,962,000 or 17.3 per cent, the former high record established in 1942. The increase on the lines in Canada was 17.7 per cent and on the lines in the United States 14 per cent.

The increase of \$36,438,000 or 12 per cent in freight revenue over 1942 is attributable to the fact that in 1943 the system carried more freight than in any other year. There were no increases in rates. To the contrary, the increases in freight rates which became effective March 18, 1942, in the United States, on all commodities except agricultural products, livestock and low grade products of mines, including coal, on which commodities smaller increases were granted, were suspended by the Interstate Commerce Commission, as of May 15, 1943.

Corresponding increases in Canada on international movements, as authorized by the Board of Transport Commissioners, were also suspended on that date.

Diversions of traffic from peace-time routing contributed to the unprecedented volume of freight traffic.

Throughout the year, a number of orders directed towards regulating movements of certain commodities and increasing the lading of all types of equipment, were issued by the transport controller. These, coupled with the co-operation of boards of trade, chambers of commerce, industrial traffic leagues and individual shippers, helped the company to achieve considerable conservation of equipment, a factor of importance in enabling it to handle the greatest tonnage in its history.

Passenger traffic again increased, being more than four times that of 1939. Although, because of the numbers of Service personnel carried at very low fares, the average earnings per passenger mile in 1943 were lower than in 1939, they were slightly higher than in 1942. Passenger revenues in 1943 were \$66,891,000, an increase of \$18,594,000 or 38.5 per cent over 1942.

Increases were reported also in other revenue accounts, such as mail, express, sleeping car, dining car and commercial telegraphs.

Mr. JACKMAN: Do you want to be interrupted or do you want to finish?

Mr. VAUGHAN: Just as you wish.

Hon. Mr. HANSON: I suggest that you go on through it and then come back to the beginning.

OPERATING EXPENSES

Operating expenses for the year increased \$35,476,000, or 12.28 per cent, as compared with an increase in operating revenues of 17.29 per cent. Out of every additional \$100 of revenue \$45 was carried to net revenue. The comparable figure on class one railroads of the United States was \$33.80.

The unprecedented volume of traffic, and other circumstances, placed an exceedingly heavy strain upon the entire railway organization. Despite this, the very large movements of war materials and personnel reached their destinations in accordance with schedule arrangements. There was no lowering of the recognized standards of safety.

The relationship between additional revenue and expense can be regarded as satisfactory, especially in view of the fact that the maintenance and operating accounts had to carry a number of exceptionally heavy charges. Where it was found necessary to defer repairs and renewals owing to wartime scarcity of labour and materials, reserves were created through charges to operating expenses. Instead of trying to make the most favourable showing possible, the policy was continued of absorbing, out of wartime revenue, the heavy costs created by wartime conditions, thus avoiding carrying such costs forward to the post-war period. The amount charged to operating expenses for deferred maintenance was \$11,150,000. The amount charged for depreciation on locomotives, freight and passenger-train cars, etc., was \$19,829,000, or approximately \$7½ millions more than would be provided under average traffic conditions. An amount of \$1,005,000 was charged for amortization of war projects, and \$1,309,000 for inventory reserve. The cost-of-living bonus paid on Canadian lines amounted to \$18,918,000. Of this sum \$16,396,000 was charged to operating expenses. Increased wage rates on the United States lines increased operating expenses by \$1,556,000. Additional amounts were provided for pensions, as referred to later in the report.

Operating expenses also absorbed the cost of creosoting ties in replacement. In previous years this cost was charged to investment account. The loss in connection with railway properties retired and not replaced was also charged to operating expenses. In previous years this loss was charged to profit and loss account.

Due to the severe winter conditions the cost of removing snow and ice in 1943 was \$3,758,000 as compared with \$2,220,000 in 1942.

The average number of employees in 1943 was 101,126 and the total payroll was \$195,555,000. In the last pre-war year—1939—the number of employees was 78,129 and the total payroll was \$122 millions.

Since the outbreak of war the price of new steel rail has increased by 18·9 per cent; the price of ties by 37·4 per cent; of fuel by 44·4 per cent and of general railway stores by 14·8 per cent. On the revenue side freight rates and passenger fares have been frozen at their pre-war levels. The picture, therefore, is one of frozen selling prices on the one hand and substantially increased costs on the other, the railway having to depend on its ability to handle the additional volume of traffic on a sharply reduced operating ratio in order to produce the greatly improved returns reported herein. The operating ratio for the year was 73·64 per cent (an all-time record) as compared with 76·93 per cent in 1942 and 81·99 per cent in the peak peace year of 1928.

PENSIONS

Previous annual reports have indicated that reserves were not being set up against pensions being paid or conditionally accruing under the 1935 contractual plan and prior non-contractual plans. Heretofore the practice has been to charge currently to operating expenses the actual pension payments made at the expense of the company. Advantage has been taken of the opportunity afforded by the abnormally high revenues of 1943, to put the accounting for pension contracts issued under the 1935 contractual plan on a fund reserve basis. The reserve, which at December 31, 1943, amounted to \$21,607,000, is invested in dominion government securities. Of the proportion of the reserve payable at the expense of the company, \$19,069,000 pertains to the period prior to 1943 and for that reason has been separated from the normal operating expenses for the year. With respect to pensions under prior non-contractual plans, the practice will be continued of charging currently to operating expenses the actual pension payments made at the expense of the company.

The pension contract fund above referred to is separate from the annuity trust fund in which are carried pension contributions (and interest thereon compounded) made by employees who are still in active employment. This latter fund, of which the company is trustee, is not an asset of the company and therefore is not included in its balance sheet. The amount of the annuity trust fund at December 31, 1943, was \$15,903,636, also invested in dominion or dominion-guaranteed securities.

SURPLUS FOR THE YEAR

After deducting the appropriation of \$19,069,000 above referred to from the net operating revenue of \$116,140,000, there remained a balance of \$97,071,000. The income statement shows the various accounts which must then be provided for, consisting of taxes, equipment and joint facility rents \$15,437,000; various income credits and debits \$3,668,000; interest on funded debt held by the public \$30,998,000; and interest on government loans \$18,664,000. When these are deducted, there is left a net surplus of \$35,639,000, compared with a net surplus of \$25,063,000 in 1942.

CAPITAL EXPENDITURE ACCOUNT

The capital expenditures during the year amounted to \$23,333,089, details of which are given on page 22. Of the total expenditure \$19,148,543 was for new equipment, of which 28 Northern type locomotives, 2,238 box cars, 237 gondola cars, 250 hopper cars, 100 refrigerator cars, and 50 box-baggage cars were acquired under hire-purchase agreements with the dominion government.

FINANCE

The total funded debt outstanding was reduced during the year by \$64,983,601 and now stands at \$744,232,472 as shown on the balance sheet and, in detail, on page 23 and 24. There were no new issues. The retirements were as under:

2% 7-year guaranteed bonds, matured February 15, 1943....	\$55,000,000 00
Various securities repatriated under the arrangements referred to in the 1942 Annual Report—par value.....	2,229,055 80
4½% Canadian Northern Western First Mortgage Debenture Stock and Bonds, matured October 22, 1943.....	1,728,735 60
2% 1927 Guaranteed Debenture Stock retired.....	218,810 19
Equipment Trust annual principal payments.....	5,870,000 00
	<hr/>
	\$64,983,601 59
	<hr/>

The total of government loans outstanding was increased during the year by \$34,467,304 and now stands at \$537,323,765 as shown on the balance Sheet and, in detail, on page 24.

Additions

Balance of 1942 capital requirements received January-March 1943	\$ 4,878,863 24
Loans to retire 2% 7-Year Bonds at par, and various securities repatriated at market value.....	57,119,333 89
Loans under Order in Council P.C. 1-9007, 1942.....	578,000 00
Loans to acquire Atlantic and St. Lawrence Railroad Company shares under repatriation arrangements....	2,748,758 47
Loans under Equipment Hire-Purchase Agreement 1941....	11,426,281 48
Loans under Equipment Hire-Purchase Agreement 1943....	5,671,111 11
	<hr/>
	\$82,422,348 19
	<hr/>

Retirements

Loans repaid out of 1942 surplus earnings.....	\$15,063,268 32
Loans repaid out of 1943 surplus earnings.....	30,000,000 00
Equipment Hire-Purchase annual principal payments....	2,891,775 68
	<hr/>
	\$47,955,044 00
	<hr/>

Net Increase.....	\$34,467,304 19
	<hr/>

The outstanding government loans, \$537,323,765, have been utilized for the following purposes:

Repatriation of securities having a par value of \$408,009,463 31 acquired at a cost to the company of.....	\$388,757,134 77
Redemption of matured securities, under the 1938 Refunding Act	94,107,807 96
Purchase of new rolling stock under hire-purchase agreements between the Government and the company.....	40,551,822 63
Additional working capital necessitated by wartime conditions	13,906,999 71
	<hr/>
	\$537,323,765 07
	<hr/>

Interest on all these loans is being paid out of income, the total for the year being \$18,664,848.

Measures taken during the year for the more complete consolidation of the corporate structure of the System included (a) the acquisition of control through ownership of the capital stock of the Atlantic and St. Lawrence Railroad Company (b) transfer to that company of the properties of the New England Elevator Company and the Portland Elevator Company (c) transfer to the Grand Trunk Western Railroad Company of the railway properties of the Cincinnati, Saginaw and Mackinaw Rail Road Company (d) transfer to the Canadian National Railway Company of the railway properties of The Toronto Belt Line Railway Company and of The Irondale Brancroft and Ottawa Railway Company. These are transactions of an inter-corporate nature and do not change the operated mileage of the system.

CENTRAL STATION, MONTREAL

The company opened its new central station in Montreal in July providing that city with the largest and most modern passenger station in Canada. After further necessary steps have been taken, it will make possible the long-sought consolidation of the company's passenger train services in the metropolitan area. It also improved facilities for the handling of express, baggage and mail, and greatly assisted in the solution of the grade crossing situation in the heart of the city. It paves the way for a rearrangement of freight handling facilities on the Island of Montreal with resulting benefit to the commerce of the nation. As the central station has been designed to support large structures on the overhead rights surrounding it for several blocks, its completion presents an opportunity for a business and civic development of magnitude and beauty in the centre of Montreal.

LINE CONSTRUCTION

Tenders have been called for the construction of a new line from Eastern Junction to Bout de L'Ile on the Island of Montreal.

This line forms part of the broad plan for the solution of the grade crossing situation on the Island of Montreal, under orders of the Board of Transport Commissioners. Its construction was approved by parliament in 1931 and sufficient funds were voted for the purpose. However, circumstances intervened and apart from the acquisition of nearly all the land required for the right-of-way, no further expenditures were made. Wartime traffic having thrown an exceptionally heavy burden upon the facilities on the Island of Montreal, the construction of this line at the earliest possible moment became imperative and authority was therefore sought by order in council under the War Measures Act to proceed immediately with its construction.

It will improve the service given to industries along the company's lines in the eastern and western sections of the Island; will open new industrial sites to development; make possible the residential development of a very large area in the northeast section of the Island, and will further consolidate the passenger services entering the city by giving passenger trains from Chicoutimi, Lake St. John and other north shore points direct access to the central station. It will be of direct economic value to the railway and is a wartime necessity because it will shorten by 76 miles the distance now covered by freight trains between Longue Pointe and Turcot Yard, thus speeding traffic movements and making possible a material saving in operating expenses.

It will also make possible the abandonment of 32 miles of track on the Montfort-Joliette line, which was authorized by the Board of Transport Commissioners in 1940; an abandonment which will result in the recovery of 6,200 tons of steel, as compared with the 6,000 tons needed to build the new line.

The cost of construction of this new line, which is about 14 miles in length, is estimated at \$2,870,000.

STANDING COMMITTEE

Hon. Mr. HANSON: Does that include right-of-way?

Mr. VAUGHAN: Yes. Continuing:

LINE ABANDONMENTS

An application was made to the Board of Transport Commissioners, in co-operation with the Canadian Pacific Railway, for approval of the abandonment of 37.9 miles of line between Arnprior and Eganville, Ont. The hearing is pending.

STEEP ROCK DEVELOPMENT

To facilitate development of the hematite iron ore deposits at Steep Rock Lake, Ontario, the company, as agent for the Government, is arranging for the construction and operation of a spur to the Steep Rock property from a point on the Canadian National line near Atikokan, and for the construction and operation of an ore dock at Port Arthur. It is anticipated that shipments of ore will start in the latter part of 1944.

CANNAR OILS LIMITED

Cannar Oils Limited, wholly-owned subsidiary of the company, which embarked upon a program of drilling 50 wells in the Vermilion field in Alberta, had 12 wells in production by December 31, 1943, with 4 additionnel wells awaiting installation of pumps and servicing. This program was undertaken solely as a measure of protection against loss of supplies of fuel oil due to enemy action.

VICTORY LOAN CAMPAIGNS

Large purchases of bonds were made by Canadian National personnel in the two victory loan campaigns conducted during the year. In the fourth victory loan campaign in April, 68,744 employees subscribed \$6,825,000 and in the fifth campaign in October, 80,361 employees invested \$8,599,600 in victory loan bonds. The cumulative total of employees' purchases in these two campaigns, therefore, was \$15,424,600. Of this total the employees of Trans-Canada Air Lines subscribed \$302,550 and those of National Railways Munitions, Limited \$305,800. Both campaigns were conducted under the direction of an efficient and aggressive canvassing organization set up within the system.

Employees invested a further \$1,917,894 in war savings certificates during the year through a payroll deduction plan.

In addition to individual purchases by employees, the company invested a combined total of \$29,927,050 in fourth and fifth victory loan bonds for account of reserves and other funds, such as maintenance, pension annuity trust fund, pension contract fund, insurance investment fund, etc.

I may say that we have invested another \$8,500,000 since the first of the year in the fifth victory loan. Continuing:

The employees on lines in the United States subscribed substantial amounts for U.S. war bonds during the year.

OTHER WAR ACTIVITIES

The system has been privileged to assist the war effort by other means than the provision of transportation by land, sea and air. The operations of Trans-Canada Air Lines are fully dealt with in its annual report. National Railways Munitions, Limited has continued to manufacture naval gun barrels and field artillery carriages at Point St. Charles. In its Pacific Coast shipyards, the company has met its schedules for the construction and repair of naval and cargo vessels. The Fort Rouge Shops have engaged successfully in the manufacture of certain types of naval mountings. A number of hospital cars, which

the company's medical department helped to design, have already been usefully employed. Canadian National ships distinguished themselves in war service on the high seas, among them the "Lady Nelson," formerly flagship of the Canadian National West Indies fleet, and now a hospital ship, and H.M.C.S. "Prince Robert," which prior to becoming an important member of Canada's fighting navy was in the company's Vancouver-Alaska service.

The company was honoured in being selected to provide extensive train and other services for Prime Minister Churchill, President Roosevelt and Madam Chiang Kai-shek during their visits to Canada in 1943, and also for a long list of other men and women prominently engaged in the war effort of the United Nations.

The management and staff are justly proud of the company's honour roll. A number of employees have already laid down their lives in the service of their country and to their families deepest sympathy is expressed.

His Majesty the King has been pleased to decorate a number of Canadian National men in the armed forces and merchant navy, and honours also have been bestowed upon some civilian members of the staff for outstanding work in carrying out their railway duties.

POST-WAR PERIOD

The post-war period will bring many problems. It would be unsafe to predict that the present high volume of traffic will continue; competition will undoubtedly be accentuated and the railway industry will have to fight hard to earn its fair share of traffic against the competition of water, highway and air transport.

Changing conditions will call for new methods of railway operation and new types of service and there must needs be a continuing search for improvement in all aspects of the railway industry. In view of this, the company has in hand a program of research. This program, in addition to considering ways and means of improving service and efficiency of operation, also encompasses the problems of post-war reconstruction and rehabilitation.

GENERAL

The traditional harmonious relations between management and employees were maintained throughout the year.

The officers and employees in all departments of the system have worked hard and loyally to cope with increased responsibilities arising out of the war, and the directors record their appreciation and thanks. Appreciation also is expressed to shippers and the travelling public alike for their co-operation in and sympathetic understanding of difficult operating conditions caused by the war.

Hon. Mr. HANSON: In connection with the paragraph entitled "Post-War Period" it would be interesting if you would produce at a later date your proposals for reconstruction.

Mr. VAUGHAN: You have in mind the brief we submitted to the Turgeon committee?

Hon. Mr. HANSON: Yes. We ought to discuss what you have in mind when you reach that spot.

Mr. VAUGHAN: I may say that presentation is a public document.

Mr. HANSON (*Skeena*): Was that brief incorporated in last year's report?

Mr. VAUGHAN: No, we appeared before that committee in 1943, and this brief was incorporated in this document issued by the committee. All you need to do is to have the report incorporated in these proceedings.

Hon. Mr. MICHAUD: You can get the report of that committee from the distribution office.

Mr. VAUGHAN: This is the minutes of evidence, No. 25, of the special committee on Reconstruction and Re-Establishment, dated Thursday, July 8, 1943.

Hon. Mr. HANSON: Yes, that is what I had in mind. Give me a copy.

Mr. VAUGHAN: Copies of that can be obtained here.

The CHAIRMAN: Are there any comments gentlemen?

Mr. JACKMAN: In the fifth paragraph of your opening remarks you say, "after providing from revenue for all operating expenses, including deferred maintenance, depreciation, amortization of defence projects and reserves for inventories, and also a reserve for pension contracts..." Is depreciation at the same rate as last year or will there be changes in the method?

Mr. VAUGHAN: Last year we applied some accelerated depreciation and we did the same this year. That is on top of our regular depreciation rate which was established some years ago.

Hon. Mr. HANSON: You have not any control over the income tax people with regard to this question.

Mr. VAUGHAN: Fortunately we have not.

Hon. Mr. HANSON: I suppose you know that there is a movement on foot with respect to newsprint to cut down the rates of depreciation? Have you heard that? The powers that be have started a movement—I will put it that way—or are threatening a movement to cut down depreciation in the newsprint industry, all of which means more taxes.

Mr. VAUGHAN: Our situation is, as I have said before, that while we do not pay income tax we pay more ordinary taxes, of course, in Canada than anyone else, and we do pay back to the government everything we earn—everything we have is theirs.

Hon. Mr. HANSON: That is the answer you make, and that is the only answer, that they take all you have in the end, although you do not pay these taxes. That is one point we disagree on and we agree to disagree on it, whether you should pay taxes or not.

Mr. JACKMAN: The question I asked is whether there has been any change in the principles or methods of applying depreciation.

Mr. COOPER: No change has been made in the methods.

Mr. JACKMAN: Or the rates?

Mr. COOPER: Or the rates.

Mr. JACKMAN: How did you make up your deferred maintenance this year—the same as last year on the basis of itemizing all the things that you would not need to do, like painting stations, and getting the figure—I think it comes out to an even figure of \$3,000,000?

Mr. WALTON: The same method was applied as in previous years by securing information from the officers in charge and ascertaining what work was necessarily deferred because of a shortage of labour or material or both, and in that way we reach these figures.

Hon. Mr. HANSON: In the early part of the war was there an effort made to take up some of the deferred maintenance when labour was plentiful?

Mr. WALTON: Yes, we increased our force early to do what we could and within, I think, a couple of weeks after war was declared we placed an order for additional locomotives.

Hon. Mr. HANSON: That is new equipment?

Mr. WALTON: Yes, but it goes into the pool and helps out the general equipment situation.

Hon. Mr. HANSON: There must have been a substantial amount of deferred maintenance during the depression years that you could not possibly do?

Mr. WALTON: There was some, and there was what might be called anticipated requirements, and we did our best while help was available to meet that situation.

Mr. JACKMAN: Is there any change in this reference to inventories over the previous year?

Mr. COOPER: No. There is no change in the method of arriving at the amount.

Mr. HANSON (*Skeena*): In 1932 when my namesake was chairman of this committee there were 32,000 annual passes issued on all the railroads of Canada, and I would like to know how many annual passes are issued by the Canadian National Railways now compared with, say, 1933; could we get that information?

Mr. COOPER: We will have to get it for you.

Hon. Mr. HANSON: I hope you will not make me responsible for the number of passes issued.

Mr. HANSON (*Skeena*): No, I would like to see how the matter worked out.

Mr. VAUGHAN: Would you like to have that on record or do you want it personally?

Mr. HANSON (*Skeena*): I could have it personally.

Hon. Mr. HANSON: Let us say that the number has been substantially cut.

Mr. VAUGHAN: It has been substantially cut. We can only issue transportation in accordance with the orders of the Board of Transport.

Mr. HANSON (*Skeena*): I refer to annual passes given to people apart from railway employees.

Mr. WALTON: It varies. There are extreme peaks such as Christmas and New Years, when the use of passes by employees has been cut off entirely.

Mr. HANSON (*Skeena*): That would be trip passes.

Mr. WALTON: And other passes also.

Hon. Mr. HANSON: But not to Members of Parliament; they are not passes.

Mr. VAUGHAN: They issue their own.

Mr. DONNELLY: With regard to the Cannar Oils Limited, is that a new company you have started or a subsidiary?

Mr. VAUGHAN: That is a company we started at the request of the Oil Controller. There was evidence of there being a shortage of oil in the west to operate our locomotives, and he was of the opinion that we should protect our situation by endeavouring to develop some oil on our own account, and that was the field recommended by government geologists as being the most likely fields to produce a quantity of oil.

Mr. JACKMAN: This was just for your own purposes?

Mr. VAUGHAN: For our own purposes.

Mr. DONNELLY: This was entirely for your own purposes and had nothing to do with oil for the other line?

Mr. VAUGHAN: No.

Mr. McCULLOCH: Did you buy these fields or did you have them on royalty?

Mr. VAUGHAN: We pay royalties.

Hon. Mr. HANSON: On page 13 you state the fact but you have not told us the results; what are the results?

Mr. VAUGHAN: Of the Cannar oil development?

Hon. Mr. HANSON: Yes.

Mr. VAUGHAN: They have not been very satisfactory.

Hon. Mr. HANSON: They have not?

Mr. VAUGHAN: No.

Hon. Mr. HANSON: How much have you spent on this development?

Mr. VAUGHAN: We have had something in the neighbourhood of 30,000 or 40,000 barrels of oil.

Hon. Mr. HANSON: Wells drilled and twelve in production.

Mr. DONNELLY: Had you many dry holes?

Mr. VAUGHAN: Yes, we have some dry holes.

Hon. Mr. HANSON: Mostly. How much money was spent on the Cannar project?

Mr. VAUGHAN: \$578,000.

Hon. Mr. HANSON: And you got 34,000 barrels valued at how much?

Mr. VAUGHAN: The value of the oil would be, I assume, about \$1.75 a barrel.

Hon. Mr. HANSON: But it has not turned out well. Are you going to go on with it?

Mr. VAUGHAN: We are making a survey now to satisfy ourselves whether it is wise to proceed further or not.

Hon. Mr. HANSON: I suggest that the government ought to reimburse you for that outlay. I do not see why the railroad should take that on.

Mr. VAUGHAN: We hope they will. They would not at the time although we went into the development of these oil wells solely at the request of the government.

Hon. Mr. HANSON: You would never have done it on your own?

Mr. VAUGHAN: No, sir, we would never have done it.

Mr. EMMERSON: Are these shallow wells?

Mr. VAUGHAN: They are shallow wells. They produce oil at from 1,800 to 2,000 feet. The cost of sinking wells is not nearly as high as it is in a field like Turner Valley. The cost of sinking a well was around \$15,000 whereas down in Turner Valley it would cost upwards of \$150,000. But it was, I think, well worth developing these oil fields because it did look at one time as though we might have the greatest difficulty in getting oil, and if there was oil in that field—and it was recommended to us as the most likely field in the west—we wanted to get it because we needed it.

Hon. Mr. HANSON: The intention was good but the performance was not so hot.

Mr. VAUGHAN: We had some misgivings about it at the time. It was one of those war measures that might have turned out all right, and may still be better than we expect.

Hon. Mr. HANSON: On principle, why should not the government have done this out of the war appropriation rather than ask the company to do it? They are supplying capital by the hundreds of millions of dollars for war production.

Mr. VAUGHAN: They supplied us with capital for this project but they charged—

Hon. Mr. HANSON: It was debited against you?

Mr. VAUGHAN: Yes, we pay interest on it.

Hon. Mr. HANSON: And they hold it against you until you pay.

Mr. DONNELLY: Where do you get your oil from?

Mr. VAUGHAN: From various places; some from Vancouver and Prince Rupert coming up from California, and we get considerable oil from the refineries in Calgary and from the refineries in Moose Jaw and some from the refinery in Regina.

Hon. Mr. HANSON: I suggest that it is so close to six o'clock that I do not wish to open discussion on any particular point just now, and I ask that we adjourn.

The CHAIRMAN: Before we adjourn I would like to ask the opinion of the committee as to whether we should sit to-night or not.

Mr. McCULLOCH: I move that we sit at 8.30.

Hon. Mr. HANSON: I object to sitting to-night.

(On a showing of hands the committee decided to sit at night.)

The committee adjourned to meet at 8.30 o'clock p.m.

EVENING SESSION

The committee resumed at 8.30 o'clock p.m.

The CHAIRMAN: Before we start in to-night I should like to suggest that the committee appoint a vice-chairman. It will be necessary for me to leave for an hour to-night and vacate the chair. I am putting it up to the committee to appoint their own chairman.

Mr. McCULLOCH: I would make a motion that Dr. Donnelly be appointed.

Mr. EMMERSON: I second that.

The CHAIRMAN: All in favour?

(Motion agreed to.)

The CHAIRMAN: I have before me a statement here from the Deputy Minister, Mr. Edwards, containing four items. I do not know whether it is the wish of the committee that they be tabled or whether you would like to have them go into the proceedings.

Enclosed please find the following documents required to complete the evidence taken by the above committee considering the Trans-Canada Air Lines annual report for 1943: P.C. 6255 dated August 6, 1943, naming Winnipeg, Saskatoon, Edmonton under the Transport Act,

and four other such items. What is the wish of the committee?

Mr. DONNELLY: Are they all Orders in Council?

Hon. Mr. MICHAUD: Yes.

Mr. DONNELLY: I move that they be filed as exhibits.

Mr. McCULLOCH: I will second that.

The CHAIRMAN: All in favour?

(Motion agreed to.)

The CHAIRMAN: We shall proceed with the Canadian National report. We have finished with the president's report so far as the printed section is concerned. Are there any questions?

Mr. EMMERSON: On page 10, capital expenditure account, there is just one question. "Of the total expenditure \$19,148,543 was for new equipment, of which twenty-eight northern type locomotives"—were those delivered in 1933?

Mr. VAUGHAN: Twenty-eight of those were delivered in 1943.

Mr. EMMERSON: Can you give the disposition of those locomotives? What became of them?

Mr. VAUGHAN: They would go into the pool with all the other locomotives. They would not be assigned to any—

Mr. EMMERSON: Would not some be assigned to certain regions?

Mr. VAUGHAN: Yes.

Mr. EMMERSON: They would be delivered to certain regions.

Mr. WALTON: Some have actually been working between Montreal and Toronto and some have been on the passenger trains to the maritimes.

Mr. EMMERSON: What number is that engine?

Mr. WALTON: They are in the 6200 series.

Mr. EMMERSON: Some have gone to the Atlantic region?

Mr. WALTON: Some have been used in passenger service; I cannot tell you just what number but a number of them have been used in that service.

Mr. EMMERSON: They have been used but are they in that region now?

Mr. WALTON: I do not think they are at the moment; they are a duplication of the higher number 6100s, so they are both of the same class.

Mr. EMMERSON: But there are none of that class in the region at the present time?

Mr. WALTON: No.

Mr. DONNELLY: Your box cars were steel cars?

Mr. VAUGHAN: Yes.

Mr. DONNELLY: Larger ones than before?

Mr. VAUGHAN: No, in the last three years they have all been of the forty-ton capacity.

Mr. McCULLOCH: What proportion of those box cars went to the Trenton plant?

Mr. VAUGHAN: I do not remember offhand. They got a very good share of them. They were quite satisfied with what they got.

Mr. McCULLOCH: Yes, I understand.

Mr. HANSON (*Skeena*): Were all those cars built in Canada or some on the American side?

Mr. VAUGHAN: All our freight cars are built in Canada. All our locomotives are built in Canada.

Mr. HANSON (*Skeena*): Refrigerator cars, too?

Mr. VAUGHAN: Yes, they are built in our own shops at Winnipeg.

Mr. McCULLOCH: Did you find much trouble in getting steel to build these cars?

Mr. VAUGHAN: We did have considerable trouble but eventually we got the priorities all right.

Mr. McCULLOCH: I understand there was one time you were thinking of building some wooden cars?

Mr. VAUGHAN: There was some disposition to try and have us substitute wood for steel in some of these cars, but when we pointed out that in the old type box car there was as much steel required for channels and angles as in the new type box car they decided it would be better to let us go ahead and build the modern type of box car.

The CHAIRMAN: I hope I am not telling tales out of school but I have heard it said by your officials in Transcona there was no type of car or locomotive they could not build there.

Mr. McCULLOCH: You mean at Trenton, Mr. Chairman.

The CHAIRMAN: I mean at Transcona.

Hon. Mr. MICHAUD: Transcona and Trenton are keen competitors.

Mr. EMMERSON: On pages 11 and 12 you speak of the central station in Montreal?

Mr. VAUGHAN: Yes.

Mr. EMMERSON: Why is it that all passenger trains in and out of Montreal do not go into the central station? That is one of the advantages of a central station which has often been mentioned as doing away with the level crossing difficulty, but you are using Bonaventure?

Mr. VAUGHAN: All trains go into the central station from the west, from the east and from the south except suburban trains which we still run into the old Bonaventure station.

Mr. EMMERSON: Then you are not going to get rid of the old level crossing difficulty?

Mr. VAUGHAN: We do not expect that these suburban trains will run into that old station forever. They are running there now as a matter of convenience during the war.

Mr. HANSON (*Skeena*): What was spent on that Montreal station during 1943?

Mr. VAUGHAN: The net amount spent on the terminal in 1943 was \$258,454.

Mr. HANSON (*Skeena*): What was the total up to 1943?

Mr. VAUGHAN: Do you want to get the total right from the beginning including all the property?

Mr. HANSON (*Skeena*): Yes, we had it last year.

Mr. VAUGHAN: The total amount spent to the end of 1943 was \$27,518,000.

Mr. HANSON (*Skeena*): What is your estimate as to any further expenditure?

Mr. VAUGHAN: We have an amount next year in the budget of \$313,000. That is all we expect to spend in 1944. What we will do in the future we are unable to say now.

Mr. HANSON (*Skeena*): There is no suggestion of any further construction in the future yet?

Mr. VAUGHAN: Not at the moment, no.

Mr. McCULLOCH: I see you have made a good move in so far as drawing rooms and berths are concerned. You cannot order a berth now two weeks ahead and have it held. You have got to pay for it within twenty-four hours?

Mr. VAUGHAN: Yes.

Mr. McCULLOCH: I think that is a splendid move.

Mr. ROEBUCK: It would be a better move if they would sell reserved seats on the trains running out of Ottawa on Friday afternoon.

Mr. DONNELLY: Is it your intention to bring the line that runs from eastern St. Catharine out to Chicoutimi into the main station some time?

Mr. VAUGHAN: It is referred to in this report, as the Bout de l'Ile line. That will bring trains from Quebec, Shawinigan Falls, Grand Mere, Chicoutimi, Arvida, Noranda and all that territory into the new station.

Hon. Mr. MICHAUD: And the transcontinental as well.

Mr. DUROCHER: How does that question stand now as to this new line? Are there any new developments?

Mr. VAUGHAN: We have let the contract and we are starting on it.

Mr. DUROCHER: The contract has been let?

Mr. VAUGHAN: Yes.

Mr. DUROCHER: Are there any arrangements made with city of Montreal with reference to the level crossings and everything else?

Hon. Mr. MICHAUD: The city of Montreal has approved of the plans.

Mr. VAUGHAN: It has been approved by all the interests concerned.

Mr. DUROCHER: Except some individuals.

Mr. HANSON (*Skeena*): What is the estimate in connection with this Steep Rock development as to the construction of that road? How many miles does it cover?

Mr. VAUGHAN: The government is assuming the expense of the cost of that siding and the cost of the ore dock. The estimated cost of the whole thing, the siding—that is the spur from our line into their mine—plus the cost of building the dock at Port Arthur, was about \$2,500,000.

Mr. HANSON (*Skeena*): What is the distance of the road?

Mr. WALTON: About four miles.

Mr. VAUGHAN: It is between four and five miles. The cost of the spur itself will probably be in the neighbourhood of \$400,000.

Mr. HANSON (*Skeena*): Has that contract commenced?

Mr. VAUGHAN: The work has not actually commenced. The contractor is getting his plant ready. The contract was let some time ago. As soon as the weather permits he will get busy on it.

Mr. JACKMAN: Track laying costs a great deal of money from what you have said about the cost of the spur at Steep Rock, and I notice also fourteen miles in Montreal, is it?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: \$2,870,000; that is \$205,000 per mile.

Mr. VAUGHAN: There are a lot of crossings there, a lot of subways and crossings.

Mr. DONNELLY: A lot of the cost at Steep Rock will be absorbed in the pier, will it not?

Mr. VAUGHAN: There will be over \$2,000,000 of the \$2,500,000 absorbed in the cost of the pier and the approaches.

Mr. JACKMAN: The railway company is not under any obligations at all in connection with Steep Rock? It is entirely a government matter, is it?

Mr. VAUGHAN: Exactly.

Mr. DONNELLY: Are they producing ore at Steep Rock now?

Mr. VAUGHAN: They do not expect to be producing ore until August. They assure us they will ship at least 500,000 tons of ore this fall before navigation closes.

Mr. JACKMAN: What is the ordinary cost of laying a mile of track where you have not got unusual difficulties or expense?

Mr. VAUGHAN: It depends entirely on the terrain. If you are building on the prairie your cost is very much less than if you are building through rock. Then you have a very expensive proposition. It is impossible to lay down a cost for a given mile of track without knowing the territory where the track is going to be laid.

Mr. WALTON: There is considerable rock work at Steep Rock?

Mr. VAUGHAN: There is a lot of rock work, a great deal of blasting.

Mr. JACKMAN: It works out at about how much a mile, roughly?

Mr. VAUGHAN: I think the actual contract worked out somewhere around \$75,000 a mile.

Mr. JACKMAN: That is for a double track?

Mr. WALTON: No, a single track line. I do not think I have the figure here for the spur.

Mr. VAUGHAN: We called for competitive tenders on that work, and there was a big difference in the tenders. The contract was let to the lowest tenderer who is a responsible man.

Mr. HANSON (*Skeena*): I think, Mr. Chairman, that for future reference we should have the suggestions by the railway as to the post-war period. It is neither adopted or accepted but I think for future committees I should like to see that incorporated in our minutes. We have other committees where there are suggestions from chambers of commerce, suggestions from farmers' institutes incorporated in the minutes. I cannot see why we should not have the suggestion from the C.N.R. incorporated in our minutes.

Mr. VAUGHAN: I think that was arranged to be done.

The CHAIRMAN: I did not get what Mr. Hanson said.

Mr. VAUGHAN: That is the report we gave to the Turgeon committee which we had here this afternoon. Mr. Hanson suggests that it be incorporated in the minutes of this meeting.

Hon. Mr. MICHAUD: If you want to have it incorporated in the minutes someone should make a suggestion or a motion.

The CHAIRMAN: It is being printed and distributed to the members.

Mr. HANSON (*Skeena*): I know, but you have so many of these publications in different committees I think it would be better if we had it in our minutes.

The CHAIRMAN: Then move that if you want it in the minutes.

Mr. HANSON (*Skeena*): If I am in order I move that be incorporated in our minutes.

The CHAIRMAN: All in favour?

Mr. JACKMAN: Mr. Chairman, before we take a vote on it I am entirely in sympathy with what Mr. Hanson says in regard to having it available, but after all I think we either have it or can get it very readily in the minutes of the Social Security or Reconstruction and Rehabilitation Committees. I think this committee should have some respect for the paper shortage and general economy. How many pages is the document? It is quite a large one, is it not?

Mr. HANSON (*Skeena*): All we are printing is 700 copies.

Mr. JACKMAN: You have got a copy already.

Mr. McCULLOCH: We could take one and put it right in our book.

The CHAIRMAN: They say it is about fifty pages. It would be quite an expense.

Mr. DONNELLY: Yes. It is quite a big affair.

Hon. Mr. MICHAUD: It is twenty-three pages.

Mr. McCULLOCH: Each member could get a copy and put it in his report.

Hon. Mr. MICHAUD: Yes. Each member could get a copy.

The CHAIRMAN: Will somebody move that?

Hon. Mr. MICHAUD: It is No. 25 of the minutes of proceedings and evidence of the reconstruction and re-establishment special committee.

Mr. DONNELLY: I would not have it five years from now, anyway.

The CHAIRMAN: Gentlemen, the clerk says that, if it will satisfy the committee, he will get each member one of these booklets right away. That would perhaps obviate a good deal of expense.

Mr. DONNELLY: Yes.

The CHAIRMAN: Otherwise I will put Mr. Hanson's motion. I do not think we need to conflict on the motion. What is your wish, gentlemen? Do you wish that we get this booklet or do you wish that we have it printed?

Mr. JACKMAN: The booklet.

Mr. DONNELLY: Yes.

The CHAIRMAN: All in favour of obtaining the booklet? Against? I am afraid the booklet has the day. You will get copies of it for the committee?

The CLERK: Yes.

Mr. JACKMAN: Where are you, Mr. Chairman?

The CHAIRMAN: Just deliberating on this report; a free for all deliberation. Mr. Donnelly, will you kindly take the chair? (Mr. Donnelly, the vice-chairman, took the chair).

Mr. JACKMAN: In connection with the post war period, Mr. Vaughan, what provision have you made for reinstating your own men who have enlisted or been called up? Have they been promised their jobs back?

Mr. VAUGHAN: Yes. They have been promised that when they come home they will be given equally as good a job as they had when they left.

Mr. JACKMAN: If they can handle it?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: What do you do in regard to any deficiency between the pay they receive in the armed services and the pay they were formerly getting with the railway?

Mr. VAUGHAN: We do not do anything there, but we protect their pension rights; during the period they are away their pension is still accruing on the basis of their salary when they left.

Mr. McCULLOCH: How many men have left your employ to go into the army?

Mr. VAUGHAN: I would say we have probably not far off 20,000 in the armed forces.

Mr. ROEBUCK: That is a big loss.

Mr. McCULLOCH: Yes.

Mr. EMMERSON: Mr. Vaughan, may I ask how long a man is required to be in service with the railway before he becomes permanent and can claim, by his employment there, for reinstatement after the war?

Mr. VAUGHAN: Are you referring to the service men?

Mr. EMMERSON: Yes, the men who are in the service, those who left to enlist.

Mr. VAUGHAN: If he is in the service a year, I think.

Mr. WALTON: Of course, seniority has to govern.

Mr. EMMERSON: Quite so.

Mr. WALTON: Because a man enlisted, it does not guarantee him a job unless there is a job for him. He would not have preference over some one senior to him for a job.

Mr. EMMERSON: No. Take, for instance, the case of an apprentice who has served six months of his apprenticeship or a year of his apprenticeship. With that six months service as an apprentice, will he be entitled to employment when he returns, to complete that apprenticeship?

Mr. WALTON: Yes. There is an added provision that if he is in work which is comparable to his apprentice job, he gets an allowance so far as completing his apprenticeship is concerned toward that time. For instance,

we have a number of men who were machinists, apprenticed to the machinist trade, and who went with the navy possibly as artificers, right in work parallel with what they were following. Such a man is allowed time towards the completion of his apprenticeship.

Mr. EMMERSON: He is not allowed all that time, but he is allowed some of it.

Mr. WALTON: There is a proportion—I think up to the last year—that he has to serve after he returns.

Mr. EMMERSON: We will take it he still keeps his place on the seniority list?

Mr. WALTON: Yes.

Mr. EMMERSON: If he has only had six months.

Mr. WALTON: His relative position with the other men on the list remains the same while he is away.

The VICE-CHAIRMAN: Gentlemen, if you are through asking questions, shall we go on with this report?

Mr. JACKMAN: Who determines the seniority, the company or the union, and have you a collective bargaining agreement with all the brotherhoods?

Mr. WALTON: Oh, yes.

Mr. VAUGHAN: We have collective bargaining with I do not remember how many unions—a score or more, maybe. The seniority is determined by the company in co-operation with the union.

Mr. JACKMAN: A man is not losing any accruing seniority as he serves in the forces?

Mr. VAUGHAN: No.

Mr. JACKMAN: He is gaining there.

Mr. VAUGHAN: Yes.

Mr. JACKMAN: All right.

The VICE-CHAIRMAN: Shall we go on to page 16?

Mr. VAUGHAN: Page 16 is the consolidated balance sheet.

Mr. NICHOLSON: Before you leave this other report, I wonder if Mr. Vaughan would make some statement as to the arrangement between the C.N.R. and the Hudson Bay Railway? The Hudson Bay Railway is not covered in this report.

Mr. VAUGHAN: No. We operate the Hudson Bay Railway for the account of the Dominion Government. They get all the revenue and pay all the expenses of the Hudson Bay Railway.

Mr. NICHOLSON: You do not show anything about it.

Mr. VAUGHAN: It is taken out of our accounts.

Mr. NICHOLSON: What would be the procedure to have it taken over as part of the Canadian National Railways?

Mr. JACKMAN: Overcome the objection unanimously.

Hon. Mr. MICHAUD: A bill forced upon the house.

Mr. VAUGHAN: We would object to putting it in our accounts.

Mr. JACKMAN: Do you get a management fee or how do you operate this other company?

Mr. VAUGHAN: Do you recall, Mr. Cooper?

Mr. COOPER: It is on an out-of-pocket cost basis.

Mr. JACKMAN: Out-of-pocket cost basis?

Mr. COOPER: Yes; no management fee.

Mr. NICHOLSON: What is the objection to having it as part of the C.N.R. system, providing you have not the capital debt structure?

Mr. MAYBANK: At the present moment it would be like some of these maritime roads that the maritimers were telling us about.

Mr. VAUGHAN: We think we have enough of those.

Mr. MAYBANK: Lame ducks.

Mr. VAUGHAN: We think we have enough of those lines in our system now that cannot make ends meet, and we do not want any more if we can help it.

Mr. ROEBUCK: Their need is a little more traffic.

Mr. NICHOLSON: You are taking the responsibility for operating this?

Mr. VAUGHAN: Yes.

Mr. NICHOLSON: The reason I raised the question was that I travelled on the line last summer when there were some 70 Americans travelling from the north, and they were all highly trained men who were anxious to get back home as quickly as possible. The staff on the Hudson Bay road co-operated very well in getting them there quickly, but there was a hold-up in The Pas as the result of failure to have the Hudson Bay Terminal make the necessary arrangements with the Dauphin end of it, to have them get out of The Pas as quickly as possible. It occurred to me that if the whole system were under one management there would be advantages to the travelling public.

Mr. VAUGHAN: The manager of the Hudson Bay line is really under the jurisdiction of our vice-president in Winnipeg as far as the operation of the line is concerned.

Mr. NICHOLSON: He runs his own show pretty much, though?

Mr. VAUGHAN: He reports to the vice-president of the Canadian National Railways in Winnipeg. He is under his jurisdiction. There should not be any difficulty of that kind though. There were quite a large number of people going in and out of Churchill, as you know, last year, and sometimes there was not the equipment available to handle them and take them all out when they wanted to go out.

Mr. NICHOLSON: These men were forced to stay over in The Pas, which could have been avoided, I think, if there had been co-operation between the two railways.

Mr. WALTON: Were they moving by special train?

Mr. NICHOLSON: They were on a mixed train coming down, and there was an extra going out of The Pas that very morning, that the Hudson Bay staff was trying to move them out on.

Mr. WALTON: Do you know their ultimate destination?

Mr. NICHOLSON: They were going to the States.

Mr. WALTON: Then possibly they would not have reached their destination any more quickly.

Mr. NICHOLSON: If they had caught that extra at Kamsack, they would have got into Winnipeg in the morning and cleared with the immigration people that day, rather than getting in at night and staying over an extra twenty-four hours. It would have saved them twenty-four hours in Winnipeg.

Mr. VAUGHAN: I suppose they were contractors' men, were they?

Mr. NICHOLSON: Yes.

The VICE CHAIRMAN: Shall we go on with this report now?

Mr. JACKMAN: Mr. Vaughan, on page 8, you mention that "the cost of living bonus paid on Canadian lines amounted to \$18,918,000. Of this sum \$16,396,000 was charged to operating expenses."

Mr. VAUGHAN: Yes.

Mr. JACKMAN: Why not the balance?

Mr. COOPER: The cost of living bonus is distributed in the same way that the payroll is distributed. If the men are engaged on construction work their wages and cost of living bonus would be charged to investment account. Some of it would be charged to hotels, some to subsidiary companies. That is the reason for the difference between the total cost of living bonus and the amount charged to expenses. I can tell you how much was charged to the different accounts, if you wish it.

Mr. JACKMAN: Oh, no. That is all right. I just wanted to know the principle; that is all. In the next paragraph down you say, "The loss in connection with railway properties retired and not replaced was also charged to operating expenses. In previous years this loss was charged to profit and loss account." That is a change in your depreciation policy this year over the other years?

Mr. COOPER: It is a change in accounting practice, yes.

Mr. EMMERSON: What page is that?

Mr. JACKMAN: It is on page 8, just ahead of the chart.

Mr. COOPER: It is in line with the change made in the accounting regulations of the Interstate Commerce Commission.

Mr. JACKMAN: Was that a very substantial amount that you charged there to operations during the year instead of to the accumulative profit and loss account?

Mr. COOPER: You will see the item on page 19 under the heading of "maintenance of way and structures," about halfway down or a little more than halfway down. We have an item there, "road property—retirements, \$2,286,000." There was no corresponding figure last year.

Mr. JACKMAN: Yes, I see. The effect of the change was to increase, or rather to decrease the net or surplus by that amount each year?

Mr. COOPER: No. It does not have any effect on the surplus. It decreased the operating results, but it did not change the net income result. It simply moved from the profit and loss account into the operating expense account.

Mr. JACKMAN: In place of charging \$2,000,000 against your accumulative profit and loss account?

Mr. COOPER: Not the accumulative profit and loss account; the year's profits.

Mr. JACKMAN: It all comes out of the yearly account?

Mr. COOPER: That is right. We have no accumulative deficit or surplus.

Mr. JACKMAN: No. You give it to the government.

Mr. COOPER: That is right.

Mr. JACKMAN: Mr. Hanson had some questions he was asking about these pensions. You have not gone into the reason for setting up this fund of \$19,069,000. That is on page 9 and 10. Was there an obligation owing by the company which had not been reserved for?

Mr. COOPER: That is exactly the situation, Mr. Jackman. As we say in our previous reports, we had to cover the situation by the notation under the contingent liabilities; we stated that we had a number of pension contracts outstanding and we gave the capital value of those contracts; but they were not set up as direct liabilities in the balance sheet, but in 1943 we removed them from the category of contingent liabilities and recognized them as direct liabilities.

Mr. MAYBANK: From now on you figure on putting into that trust fund an appropriate amount of money each year to keep it up?

Mr. COOPER: Yes.

Mr. MAYBANK: Is this the whole of pension liability or only a part of it?

Mr. VAUGHAN: That is those who have already been retired; that sets up a capital fund to take care of all the pension contracts that have been issued to date.

Mr. MAYBANK: Oh yes.

Mr. COOPER: I might add to that that the \$19,000,000 represents the contracts effective up to the end of 1942. The additional contracts issued during 1943 were charged as 1943 operating expenses. The total amount of the contracts issued up to the end of 1943 is in the neighbourhood of \$21,000,000 of which \$19,000,000 relates to the period prior to 1943; so that we set that up as a special item separate from the normal expenses of the year, but the proportion applicable to the year 1943 has been treated as an expense of 1943.

Mr. MAYBANK: Yes, so that you are therefore up-to-date with the outstanding contracts?

Mr. COOPER: Yes sir.

Mr. MAYBANK: You do not figure on putting up a dollar for John Doe's dollar year by year as it is deducted from him? You have never gone into that?

Mr. COOPER: I do not believe we can hope to reach that degree of perfection.

Mr. MAYBANK: The way you handle it then is that when John Doe does retire there is a certain amount of money that should be appropriated to his pension contract and you pay that each year, you set that up then, is that the method?

Mr. COOPER: That is our intention.

Mr. MAYBANK: Yes.

Mr. COOPER: There are many things which can happen to a man who is in the service before he reaches the position where he goes on pension, or the time when he receives a pension contract, but we have reached this stage that when he reaches the retirement age and he receives a contract we set up the liability under that contract.

Mr. JACKMAN: All liabilities on existing contracts have been set up now and you are on a yearly accrual basis.

Mr. VAUGHAN: Except, I think I should say this, for our main pension scheme we have it set up, but we have two other pension schemes; the I.C.R. Provident scheme and the Grand Trunk Pension scheme. We do not issue contracts there. They are independent pension systems closed many years ago but there are still some who have memberships in those funds.

Mr. MAYBANK: You mean that there are still some working?

Mr. VAUGHAN: For instance, the old Grand Trunk superannuation fund closed I suppose 35 years ago but it still has 77 members of that fund on the railway who have not retired yet. They have their own funds which were set up by themselves.

Mr. MAYBANK: Are there also some who are still drawing pensions?

Mr. VAUGHAN: Oh, yes, quite a number.

Mr. MAYBANK: I mean, there are still some alive who have retired?

Mr. VAUGHAN: Yes.

Mr. EMMERSON: Have you a number of men still on the Intercolonial provident fund?

Mr. VAUGHAN: I do not know the number. We could get that for you, Mr. Emmerson. I think we have a number of pensioners but I do not think we have the number in the fund.

Mr. COOPER: The number of pensioners at the end of the year was 2,209.

Mr. EMMERSON: I was wondering about those eligible who would be drawing pensions from the provident fund.

Mr. VAUGHAN: We haven't got that here; what you want to know is the number still in the service who are entitled to pensions in that fund when they reach retiring age?

Mr. EMMERSON: Yes.

Mr. VAUGHAN: There would be approximately 8,000.

Mr. EMMERSON: That is near enough for me.

Mr. JACKMAN: Actuarially there is still some liability if you were to compute everything on the basis of the claims which are likely to come through; there is some liability still remaining on the part of the railway company in regard to pensions for which funds have not yet been set up? I think the step taken last year is entirely in the right direction, and I hope that if there are more liabilities there you will be able to fix it up this year.

Mr. VAUGHAN: We are hoping that the Grand Trunk will have enough money in their own fund to take care of their pensioners and that those under the provident fund will not have to be taken care of by the Canadian National Railways.

Mr. JACKMAN: Is there an actuarial liability; supposing a private company were to assume this would you have to give them quite a bit of money to take over the additional contracts?

Mr. COOPER: If you accept that as a definite liability, yes, I would say so.

Mr. JACKMAN: It is actually a liability?

Mr. COOPER: Yes.

Mr. JACKMAN: Big or small?

Mr. COOPER: I would think it would be a substantial sum.

Mr. JACKMAN: In the nature of \$19,000,000?

Mr. COOPER: I would not like to guess at that, Mr. Jackman. What we are doing is, as stated in the report, that in respect to the non-contractual funds we are meeting the pension costs year by year by charges to expenses. What we have dealt with are the contracts, the full numbers of contracts issued by the company. With respect to the others we are absorbing the expense of the pensions assumable by the company year by year as it is incurred.

Mr. JACKMAN: Would you not prefer to have a fund set up to take care of that, the same as you have done here?

Mr. VAUGHAN: Those funds are in an entirely different position from our main fund. They are old funds that were created a long time ago and were closed some time ago.

Mr. COOPER: The situation in the United States is different. Over there the various railroads are under what is called the United States Railway Retirement Act. In the United States the railways—to begin with the employees—each employee pays a percentage of his wages into this government fund. At the present time it is $3\frac{1}{4}$ per cent of his wages, up to \$300 a month. That is paid into this government fund. The company puts in an equal amount. Each railway company puts in an equal amount. Out of the United States Railway Retirements Fund the pensioner will receive his pension when he reaches pension status. The railway companies having paid $3\frac{1}{4}$ per cent of the payroll are through. They have no other liability unless they wish to go beyond the amount of the pension which the government scheme allows to the individual. This government pension limited to \$120 a month. If some of the railways feel that they should do better than that, that is entirely voluntary on their part. Generally, having paid the $3\frac{1}{4}$ per cent of the payroll the railways have acquitted themselves of all pension liability.

Mr. JACKMAN: Of course, you have to comply with that as far as your American employees are concerned?

Mr. COOPER: Yes.

Mr. MAYBANK: I suppose under that scheme an employee carries his pension rights from one railroad to another?

Mr. COOPER: Yes, that is one of the differences between their scheme and ours.

Mr. MAYBANK: And generally creates a better feeling?

Mr. COOPER: Yes, although sometimes it works in the reverse direction; it does not tend to hold the employee to a particular railway.

Mr. MAYBANK: No.

Mr. COOPER: But generally speaking one of the original purposes of a pension fund was to encourage long service with the particular railway to which the man belonged.

Mr. MAYBANK: From one standpoint that would make him less scared of his boss while from the other it would tend to make him less loyal to the road; according to who happens to make the statement.

Mr. ROEBUCK: But it keeps him loyal to the railways in general.

Mr. NICHOLSON: I would like to ask a question of Mr. Vaughan. Can he tell us how many employees of the railway are serving with the railway corps?

Mr. VAUGHAN: I could not tell you how many are serving with the railway corps as distinct from the army as a whole. We haven't got those figures.

Mr. JACKMAN: Mr. Chairman, I would like to refer to the bottom of page 11, the paragraph next to the bottom: "measures taken during the year for the more complete consolidation of the corporate structure of the system included (a) the acquisition of control through ownership of the capital stock of the Atlantic and St. Lawrence Railroad Company"—and so on. That refers to the steps which were taken to acquire the minority interest in those lines?

Mr. VAUGHAN: That is so.

Mr. COOPER: Mr. Harris, of this committee, rather strongly urged that we take steps to get rid of the minority shareholders in some of the system corporations, and this reports what we have accomplished.

Mr. HARRIS: A little louder, please; Mr. Chairman, we cannot hear what Mr. Cooper is saying.

Mr. COOPER: I just made the statement that last year you had been urging the railroad to take steps to divest the minority shareholders of some of our subsidiary companies of their equities in the Canadian National system in view of the fact that the companies generally were deficit companies; and this paragraph refers to what has been accomplished during the year 1943 in that direction.

Mr. JACKMAN: Just in connection with that Victory Loan campaign; I don't suppose you feel that it is incumbent upon you as a company to subscribe to the loan, as a corporation?

Mr. VAUGHAN: We did subscribe very substantially out of the special funds which we had available. We refer to it on page 13 of our report.

Mr. JACKMAN: Not the corporation itself, you would not think it a part of your business?

Mr. VAUGHAN: Yes, it is right there, we subscribed from company funds the substantial sum of \$29,000,000.

Mr. JACKMAN: Yes. Other companies have to subscribe in addition; you don't have to do that. Most companies have to subscribe whether they want to or not. You don't have to do that.

Mr. VAUGHAN: We had this money available and it seemed the proper place to put it.

Mr. JACKMAN: Yes, for trustee funds.

Mr. McCULLOCH: And you have taken \$8,000,000 additional in that No. 5 Victory Loan?

Mr. VAUGHAN: Yes, we have since the close of the campaign.

Mr. HARRIS: Perhaps the witness would tell us the cost of the acquisition of the control and ownership of these subsidiary companies; just what they had to do in getting that, what did it cost them?

Mr. VAUGHAN: Mr. Cooper, our Comptroller, is here and he can give you all the details of that.

Mr. COOPER: The acquisition of the Atlantic and St. Lawrence Railroad Company began through the repatriation of securities in the United Kingdom.

Mr. HARRIS: Were those securities listed on the market or were they just off the market?

Mr. COOPER: They were on the market almost entirely.

Mr. HARRIS: What were they quoted at?

Mr. COOPER: Pardon?

Mr. HARRIS: Have you got what they were quoted at at the time you took them over?

Mr. COOPER: Yes they were—I do not see the figure—it was about £63 per hundred. At any rate they were vested at the market price as of the date of the vesting order becoming effective.

Mr. HARRIS: Are they entirely bought up now or are there any outstanding shares on the market?

Mr. COOPER: No. There are about 600 shares which have not yet been found.

Mr. HARRIS: Where does that appear on the financial statement?

Mr. COOPER: On page 26 the list of the companies comprising the Canadian National system number three on the list.

Mr. HARRIS: \$246,540?

Mr. COOPER: Worth of stock, yes.

Mr. HARRIS: Is that still owned by the public?

Mr. COOPER: Yes, a few shares have been acquired since the end of the year.

Mr. HARRIS: What was the method of buying in these shares, if and when offered?

Mr. COOPER: We have made an offer to all the holders in the Sterling area to acquire their shares at the vesting price.

Mr. HARRIS: I hope you hold rigidly to the vesting price.

Mr. COOPER: We have not changed the purchase price through the Sterling area.

Mr. HARRIS: They should have taken that price at the time rather than take the enhanced price which might be in the shares now that you have made such a good showing during the current year; it is a matter of a quarter of a million dollars there is it not?

Mr. COOPER: I might say that from the date of the vesting order these shares have been divested of any income which might have been attached to them so that there is every inducement to the present holders to turn them in for cash. We are ready to give them the vesting price as soon as they can pro-

duce their shares. But I think it is recognized that under conditions in the United Kingdom to-day with so many people being in the forces and so much disturbance in London and everything that these securities are very difficult to locate.

Mr. HARRIS: Yes.

Mr. COOPER: I do not think there is any doubt—

Mr. HARRIS: How many years is it since they were first issued?

Mr. COOPER: They were issued about 1853.

Mr. HARRIS: That is eighty years ago.

Mr. COOPER: That is ninety years ago.

Mr. HARRIS: Mr. Chairman, if I am in order may I ask a question with respect to the Canadian Northern Quebec Railway owned by the public who own about one-third of the capital stock issue; what is being done about that?

Mr. VAUGHAN: We are negotiating in connection with the stock of these companies now, and we hope to complete arrangements before very long.

Mr. HARRIS: At what price?

Mr. VAUGHAN: We do not expect to pay anything.

Mr. HARRIS: How is the price \$3,849,200 arrived at and set up in your balance sheet?

Mr. COOPER: That is par value.

Mr. HARRIS: That is the cost price to those who hold stock.

Mr. COOPER: Oh, I do not think so.

Mr. HARRIS: Have you the cost price to those who presently own the stock?

Mr. COOPER: No, I could not answer that.

Mr. HARRIS: What is the origin of the Canadian Northern Quebec Railway outstanding share? You had to have the railway, I imagine; and you found these shares outstanding, owned by the public, did you?

Mr. COOPER: Yes.

Mr. HARRIS: And you put them on the record at par values?

Mr. COOPER: Yes.

Mr. HARRIS: Do your records show what they were worth at the time you put them on your inventory or on your balance sheet?

Mr. COOPER: Any company in which we had a majority control we treated as a system company and we have taken the assets and liabilities of such companies bodily into our consolidated balance sheet, and the outstanding shares which were in the hands of the public have become system stock liabilities at their par value.

Mr. HARRIS: At their par value; that is your determination; but when was the \$3,849,200 taken on? When was the whole \$9,500,000 taken on?

Mr. COOPER: I could not answer that from memory.

Mr. HARRIS: 1923?

Mr. COOPER: They were taken into the consolidated balance sheet of the Canadian National system in 1923.

Mr. HARRIS: What I am getting at is this: when they were taken in it is more than probable that they were certainly not worth \$9,500,000?

Mr. COOPER: I doubt whether they were ever worth their par value.

Mr. HARRIS: When they were taken in no railway stocks anywhere in North America were worth par value. You have not got the date when they were taken in?

Mr. COOPER: No.

Mr. VAUGHAN: I think they acquired those stocks between thirty and forty years ago.

Mr. COOPER: In any event, it is customary to take up the capital stock as far as the issuing company is concerned at its par value.

Mr. HARRIS: That is customary from a controller's standpoint for a book-keeping system; it is customary for a bookkeeper to take it on; and after all it is worth a certain value. Someone, apart from the controller, the bookkeeper and the auditor, had some idea of the actual value of the stock?

Mr. COOPER: Our information is that the stocks are worthless. I do not think we would pay anything for those stocks today.

Mr. HARRIS: What are you going to do with this \$3,849,000? Are you going to pay that out?

Mr. COOPER: As the president said, there are some negotiations pending and my own view is that the less we say about it the better.

(Discussion off the record)

Mr. HARRIS: Perhaps you will tell us something about the transfers of the New England Elevator Company and the Grand Trunk Western Railroad Company, and the Cincinnati, Saginaw and Mackinaw Railroad Company, and tell us at the same time where they appear on this balance sheet; and while the witness is making his deposition he might say something which is rather important to those of us who hail from the vanishing city of Toronto with regard to the Toronto Belt Line Railway Company.

Mr. COOPER: With the permission of the committee I would like to read this memorandum:—

“With reference to the Toronto Belt Line Railway Company, the Toronto Belt Line Railway Company owned a short belt line railway in the city of Toronto some portions of which were operated as industrial trackage and some portions of which have been abandoned—

Mr. HARRIS: May I interrupt you there? It is not a short line but a very long line. It encircled the whole city of Toronto originally.

Mr. COOPER: I do not think so; it just ran up the eastern side of the city.

Mr. HARRIS: It originally dated back to 1888 and it was about forty miles long. When it was originated it skirted the whole city of Toronto.

Mr. VAUGHAN: It went to the north of the City across Yonge street and towards Rosedale.

Mr. HARRIS: I am sorry for interrupting, go ahead.

Mr. COOPER: “. . . its capital stock was \$50,000 of which \$33,400 was owned by the Canadian National and \$16,600 was owned by minority interests the owners of which were not known. It had issued \$462,500 of 4 per cent bonds which matured in 1931, all of which were owned by the Canadian National Railway Company.”

Mr. HARRIS: What was the term of those bonds—how many years?

Mr. COOPER: I believe they were about forty year bonds.

Mr. HARRIS: Maturing at 1931; which would bring it to 1891.

Mr. COOPER: All those bonds were owned by the Canadian National Railway Company. On the other hand, the Canadian National owed the Belt Line Company \$52,453 representing the ledger value of property retired, making a net indebtedness of the Belt Line to the Canadian National Railway of \$410,047. In order to dispose of the minority interest the properties of the

Belt Line Company have been sold to the Canadian National Railway for \$410,047 which amount discharges the debt of the Belt Line Company to the Canadian National.

So it leaves the company with no assets and therefore the minority shares have nothing behind them. They have disappeared as far as we are concerned. That is how we are getting rid of these minority shares.

Mr. JACKMAN: You own the physical right of way?

Mr. COOPER: We got the physical assets for the amount of their debt to the Canadian National.

Mr. JACKMAN: What are you going to do with the right of way—anything at all?

Mr. COOPER: The portion which is in use as industrial trackage is to be operated.

Mr. JACKMAN: You have taken up most of the tracks. Was there not an operating condition in the original charter whereby you have to run one train over the tracks at least every so often?

Mr. COOPER: I could not tell you that.

Mr. VAUGHAN: It is a great many years since a regular train was run over those tracks.

Mr. HARRIS: I would like to take a moment of the committee's time to place this observation on record, and it takes us back to 1891. As many of the older members of the committee will know 1891 to 1896 were very very bad days in Canada; in fact during that period the black flag was raised even in the city of Toronto, and this particular project was advanced at that time through property which was not very valuable at that time. Since then, Mr. Chairman,—I am putting this on the record for the purpose of advising the Canadian National system that this property is worth real money now—since then, and particularly in the last decade, the property transversed by this Belt Line railway, the ownership of which is now vested with the Canadian National, has become very very valuable. For example, it transverses property known as Forest Hill Village, the Don Ravine, Moore Park and areas to the west of Toronto which have become very very valuable suburban property—worth many many dollars. If the Canadian National Railway has ownership in a property owned by the old original Toronto Belt Line I would say to the Canadian National Company that the asset is of real value, apart from the fact that presently in certain portions it is serving as sidings to some industrial units—not many—and more particularly the fact that it is very valuable from a residential standpoint; and I am satisfied that if the right of way department are meticulous in handling their equities in this belt line they will not only be able to salvage some of the wreck but they will be able to make some real money for the benefit of the Canadian National Railways. I hope that now that things are booming in the areas which this old original belt line transverses that your right of way department will take advantage of the present situation and dispose of that property as quickly as they possibly can to the benefit of the Canadian National Railways.

Mr. VAUGHAN: Unfortunately we own very little property on either side of the right of way.

Mr. HARRIS: You own the right of way.

Mr. VAUGHAN: Yes, we own the right of way.

Mr. HARRIS: The right of way is not in use, it is not in operation, and properties on either side of it are selling for very high values. Many areas could be built on, so sell it and make some money out of it and turn it in to the railway company.

Mr. VAUGHAN: We will get the most out of it that we can.

Mr. NICHOLSON: In connection with this paragraph with regard to the post war period on page 14—

Mr. JACKMAN: There were some questions which Mr. Harris asked about other companies in the United States—about the New England Elevator.

Mr. VAUGHAN: I think Mr. Cooper said the practice had been exactly the same in all cases.

Mr. HARRIS: Before we are through could we get an answer to the matter of the New England Elevator Company and the Portland Elevator Company and the Cincinnati matter?

Mr. VAUGHAN: Yes, we will give you a report on it.

Mr. COOPER: The two elevator companies owned elevators in Portland, Maine, which, of course, is served by the Atlantic and St. Lawrence Railroad Company. When we had acquired ownership and control of the Atlantic and St. Lawrence corporation, in order to consolidate the various corporate entities we caused the New England Elevator Company and the Portland Elevator Company to sell their assets to the Atlantic and St. Lawrence at the amount at which the properties stood on their books. It is entirely a matter of consolidating three separate companies into one company, the Atlantic and St. Lawrence Railway, with the idea that our whole interest on the line from Island Pond to Portland shall be in the name of the one corporation.

Mr. HARRIS: Perhaps we should have a short statement on the Irondale, Bancroft and Ottawa situation. What number does that bear?

Mr. COOPER: It has disappeared now, Mr. Harris. The Irondale, Bancroft and Ottawa Railway Company owned the railway from York River to Howland, Ontario, a distance of fifty-one miles. Its issued capital stock was \$53,500 of which \$53,000 was owned by the Canadian National and \$500 by minority interests. Its outstanding 5 per cent mortgage bonds of \$450,000, which matured January 1, 1935, were all owned by the Canadian National. The I.B. & O. was also indebted to the Canadian National for \$55,725 for improvements. In order to dispose of the minority interests it was decided to sell the property to the Canadian National Railway Company for \$505,725, sufficient to discharge the indebtedness of the I.B. & O. to the Canadian National. Just as in the case of the Toronto Belt Company we transferred to the Canadian National the physical assets of the Irondale, Bancroft and Ottawa Company and left that company without any assets so the minority shareholders have nothing behind their shares and they have disappeared.

Mr. HARRIS: Is there much freight originating on the I.B. & O.?

Mr. VAUGHAN: There is not very much.

Mr. HARRIS: I thought there was some mining development up there?

Mr. VAUGHAN: There was a little of lumber.

Mr. HARRIS: Was there not some mining development, feldspar.

Mr. VAUGHAN: There was feldspar up there but it did not amount to very much. The traffic originates from small lumber mills.

Mr. HARRIS: Are the black diamond mines not producing any freight?

Mr. VAUGHAN: There is practically no mining up there to-day. There is some feldspar comes off the Central Ontario railway with which the I.B. & O. connects.

Mr. NICHOLSON: I was going to ask about the section on the post-war period. It has a rather pessimistic note in that second sentence which reads:

It would be unsafe to predict that the present high volume of traffic will continue; competition will undoubtedly be accentuated.

Comparing that statement with some information contained in this brief to the Reconstruction and Re-establishment committee on page 673 I hope that the plans made by the railway call for an extraordinary capital expenditure of around \$100,000,000 a year which would provide direct employment for 15,000,000 man days which would work out at about work for 5,000 per year. Could the president tell us how many you have presently engaged on war work which will stop at the conclusion of the war?

Mr. VAUGHAN: That is very difficult to say how many are engaged in war work and how many engaged on ordinary work.

Mr. NICHOLSON: In your munitions program?

Mr. VAUGHAN: All I can say to you on that is that before the war we had about 77,000 people employed and at the present time we have got about 101,000 people employed.

Mr. NICHOLSON: And you have about 10,000 of your employees have have been guaranteed their jobs when they come back?

Mr. VAUGHAN: More than that, nearly double that number.

Mr. NICHOLSON: 20,000.

Mr. VAUGHAN: Of course, they will replace a lot of men who have been taken on since if we cannot give employment to all of them.

Mr. NICHOLSON: I gather from this brief as a railway you are not in a position to make very extensive plans with a view to guaranteeing employment for the million who are now in war industries and the 800,000 in the services? Your program is going to be determined on whether we are going to have this \$8,000,000,000 national income or not?

Mr. VAUGHAN: I think a lot depends on national income. We will, of course, have a substantial reserve put to one side for deferred maintenance and other things which will enable us to give employment to a substantial number of men.

Mr. NICHOLSON: But 5,000 a year would seem to be the maximum number?

Mr. JACKMAN: 50,000.

Mr. NICHOLSON: Yes, that is right, 50,000 men, but that is on the assumption you would have only \$30,000,000 in self liquidated projects and \$40,000,000 in desirable but economically marginal and \$15,000,000 in desirable but not productive. Roughly one-third of this 50,000 would be doing useful work on the assumption you had an \$8,000,000,000 income?

Mr. VAUGHAN: We were asked what works the railway could undertake which would be useful to the railway provided funds were available, and we gave them the information to the best of our knowledge at that time. A lot depends, of course, upon what funds are available and where they come from. Undoubtedly the railways are one place where substantial sums of money could be spent to good advantage because a railway is never finished. There is always something a railway can do to improve its property to enable it to reduce its operating expenses but which the railway might not do under normal conditions because they could not afford to do it.

Mr. ROEBUCK: Have you any lands still for settlement that are unused?

Mr. VAUGHAN: Yes, we have quite a substantial acreage in the west still available for settlement.

Mr. ROEBUCK: Have you any idea how much?

Mr. VAUGHAN: I do not think we have got it here but I can get it for you. I think it is 700,000 or 800,000 acres.

Mr. ROEBUCK: That is not very much.

Mr. VAUGHAN: A very small quantity compared with what the C.P.R. have.

Mr. ROEBUCK: Is that within a reasonable distance of the railway?

Mr. VAUGHAN: Yes, a good deal of it is. Some of it is good and more of it is not so good. We have a complete statement in our agriculture and land department of every acre of land with its distance from the railway, its characteristics, its suitability for certain classes of work.

The VICE-CHAIRMAN: Gentlemen, shall we go on with this? Page 16, Consolidated balance sheet.

Mr. VAUGHAN: I think before we read the headings of these. The first item is investments, a total of \$1,991,618,000. The next is sinking funds, \$792,000. The third is deposits in lieu of mortgaged property sold, \$4,576,345; deferred maintenance fund, \$22,000,000; investments in affiliated companies, \$38,000,000, other investments, \$827,000; total investments of \$2,059,220,000. The total under current assets is \$129,299,000; deferred assets, a total of \$37,361,320; unadjusted debits, \$10,858,000, making a total of \$2,236,740,108 on the assets side of the balance sheet.

On the liability side there are stocks, \$4,770,000; long-term debts, \$744,000,000; Dominion of Canada, \$554,000,000; current liabilities, \$54,928,000; deferred liabilities, \$30,288,000; unadjusted credits, \$116,129,000. The next item is Dominion of Canada proprietor's equity, a total of \$732,295,000, a grand total under liabilities, equalling assets, of \$2,236,740,000. The certificates of the comptroller and of the government auditors, Messrs. Touche & Company, follow.

Mr. JACKMAN: Under investments, sinking funds composed of systems securities at par and other assets at cost those are, I suppose, in accordance with certain bond indentures, are they?

Mr. COOPER: Yes, there are two issues there, Mr. Jackman. Under the issue of Canadian Northern 6½ per cent bonds we are required to leave on deposit with the trustees in New York \$250,000, and they have the right or duty to acquire bonds with this fund if the bonds should fall below par, but there is not much chance of dominion guaranteed 6½ per cent bonds falling under par so that it is a fixed deposit with the trustees. The other item is in connection with the St. John and Quebec debentures. The trust deed calls for the payment into a sinking fund of a certain amount each year, and the amount in that sinking fund to-day is \$542,000.

Mr. JACKMAN: And these St. John debentures are not guaranteed?

Mr. COOPER: No, they are not guaranteed.

Mr. JACKMAN: As to deferred maintenance fund was there a special item covering that in the operating statement?

Mr. COOPER: Yes. In 1942 we took up by charges to operating expenses \$12,850,000, and in 1943 \$11,150,000, in the two years combined \$24,000,000. You see the reserve on the balance sheet under the heading of unadjusted credits, deferred maintenance reserve, \$24,000,000. At the end of the year we had invested \$22,552,000, and since the turn of the year we have invested the remainder of the \$24,000,000.

The VICE-CHAIRMAN: Any further questions?

Mr. SANDERSON: On page 16, Mr. Chairman, current assets, special deposits, there is \$7,538,398. What is that?

Mr. COOPER: Those are amounts which are placed in special bank accounts for the purpose of paying matured interest. On the other side of the balance sheet under the heading of current liabilities you will find interest matured unpaid, \$7,279,000. Most of that, of course, falls due for payment on January 1, and the asset account to which the hon. member referred is the amount set aside to pay the interest I referred to.

Mr. JACKMAN: You take January 1, 1944, as the maturing coupon?

CONSOLIDATED BALANCE SHEET

ASSETS

Investments:

Road and Equipment Property.....	\$1,922,473,373	98	
Improvements on Leased Property.....	2,981,299	66	
Miscellaneous Physical Property.....	66,163,602	33	
			<u>\$1,991,618,275 87</u>

Sinking Funds:

System Securities at par	\$	437,751	80	
Other Assets at cost.....		354,327	78	
				<u>792,079 58</u>

Deposits in lieu of Mortgaged Property Sold:

System Securities at par.....	\$	1,966,500	00	
Other Assets at cost.....		2,609,845	78	
				<u>4,576,345 78</u>

Deferred Maintenance Fund..... 22,552,000 00

Investments in Affiliated Companies..... 38,855,047 36

Other Investments:

System Securities at par.....	\$	211,000	00	
Other Assets at cost.....		616,053	86	
				<u>827,053 86</u>

\$2,059,220,802 45

Current Assets:

Cash	\$	15,391,404	37	
Special Deposits		7,538,398	33	
Net Balances Receivable from Agents and Conductors....		17,498,419	75	
Miscellaneous Accounts Receivable		20,117,599	08	
Material and Supplies		53,963,978	15	
Interest and Dividends Receivable		454,876	60	
Rents Receivable		321,379	70	
Other Current Assets		14,013,862	48	
				<u>129,299,918 46</u>

Deferred Assets:

Working Fund Advances

Insurance Fund:

System Securities at par.....	\$	10,613,062	06	
Other Assets at cost		1,616,474	35	
				<u>12,229,536 41</u>

Pension Contract Fund

Other Deferred Assets

37,361,320 37

Unadjusted Debits:

Rents paid in Advance	\$	162,052	40	
Discount on Funded Debt.....		7,822,564	95	
Other Unadjusted Debits		2,873,449	81	
				<u>10,858,067 16</u>

\$2,236,740,108 44

AT 31st DECEMBER, 1943

LIABILITIES

Stocks:			
Capital Stocks of Subsidiary Companies held by Public.....	\$	4,770,140	00
Long Term Debt:			
Funded Debt Unmatured:			
Held by Public.....	\$	731,004,158	74
Held in Special Funds.....		13,228,313	86
			744,232,472 60
Dominion of Canada (Accounts treated as assets in Public Accounts of Canada):			
Loans	\$	537,323,765	07
Canadian Government Railways—Working Capital.....		16,771,980	54
			554,095,745 61
Current Liabilities:			
Traffic and Car-Service Balances—Credit.....	\$	11,319,878	86
Audited Accounts and Wages Payable.....		13,445,282	04
Miscellaneous Accounts Payable		5,093,371	32
Interest Matured Unpaid		7,279,233	38
Unmatured Interest Accrued		6,480,976	02
Unmatured Rents Accrued		204,178	12
Accrued Tax Liability		4,261,958	82
Other Current Liabilities		6,843,540	51
			54,928,419 07
Deferred Liabilities:			
Pension Contract Reserve	\$	21,607,000	00
Other Deferred Liabilities		8,681,332	64
			30,288,332 64
Unadjusted Credits:			
Insurance Reserve	\$	12,229,536	41
Accrued Depreciation—Canadian Lines—Equipment only..		39,327,563	21
Accrued Depreciation—U.S. Lines—Road and Equipment..		19,061,696	72
Deferred Maintenance Reserve		24,000,000	00
Other Reserves		7,653,648	36
Other Unadjusted Credits		13,857,119	27
			116,129,563 97
Dominion of Canada—Proprietor's Equity—(See Note)			
Represented by:—			
1,000,000 shares of no par value capital stock of Canadian National Railway Company	\$	18,000,000	00
5,000,000 shares of no par value capital stock of The Canadian National Railways Securities Trust.....		336,680,462	71
Capital Expenditures by Dominion of Canada on Canadian Government Railways		377,614,971	84
			732,295,434 55
Contingent Liabilities:			
Major contingent liabilities, as shown on statement attached.			
			<u>\$2,236,740,108 44</u>

NOTE.—The Proprietor's Equity is included in the net debt of Canada and is disclosed in the historical record of Government assistance to railways as shown in the Public Accounts of Canada in accordance with The Canadian National Railways Capital Revision Act, 1937.

T. H. COOPER,
Comptroller.

CERTIFICATE OF AUDITORS

We have examined the books and records of the companies comprising the Canadian National Railway System for the year ended the 31st December, 1943, and subject to our report to Parliament, we certify that, in our opinion, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the affairs of the System as at the 31st December, 1943, and that the relative Income Account for the year ended the 31st December, 1943, is correctly stated.

GEORGE A. TOUCHE & CO.,
Chartered Accountants.

10th March, 1944.

Mr. COOPER: Yes.

Mr. JACKMAN: Under deferred assets, insurance fund, other assets at cost, you have \$1,616,474. I think you said last year there were municipal or provincial bonds in that fund. Is that it?

Mr. COOPER: They are government, provincial, and I think there are a few municipal bonds in that.

Mr. JACKMAN: It is not your policy now to buy anything but government or government guaranteed bonds for this fund?

Mr. COOPER: We are not restricted but at the present time I think the only thing we are buying is victory bonds, but we have bought railway bonds, as you see. Railway securities are in at cost to the extent of \$10,000,000. We have bought in our own securities where the market price has been favourable.

The VICE CHAIRMAN: Are there any further questions? Then shall we go on to the next sheet, Dominion of Canada—proprietors' equity account?

DOMINION OF CANADA—PROPRIETOR'S EQUITY ACCOUNT

	Balance at 31st Dec., 1942	Transactions in 1943	Balance at 31st Dec., 1943
Capital Stock of Canadian National Railway Company	\$ 18,000,000 00		\$ 18,000,000 00
Capital Stock of The Canadian National Railways Securities Trust.....	298,842,882 17		
Transactions of the Canadian National Railway System during the year 1943:—			
Surplus earnings per the Con- solidated Income Account.....		\$ 35,639,412 23	
Capital Gain on repatriation of securities		2,430,284 25	
Capital Loss on abandonment of Regina freight line cut-off.....		232,115 94	
		<u>\$ 37,837,580 54</u>	<u>336,680,462 71</u>
Capital Expenditures by Dominion of Canada on Canadian Government Rail- ways	377,885,131 95		
Transfers of property to government departments at original cost.....		\$ 270,160 11	377,614,971 84
	<u>\$694,728,014 12</u>	<u>\$ 37,567,420 43</u>	<u>\$732,295,434 55</u>

Mr. VAUGHAN: Referring to the liability side of the balance sheet, on the previous page, it shows a balance at the 31st of December, 1942, of \$694,728,014.12; transactions during the year, \$37,567,420.43; with the total at the end of the year, 31st December, 1943, at \$732,295,434.55.

The VICE-CHAIRMAN: Are there any questions? If not, shall we go on to the next, operating revenues?

Mr. JACKMAN: Is there anything to explain about this proprietor's equity account, in the last item, "transfers of property to government departments at original cost, \$270,160.11 in 1943"?

Mr. COOPER: From time to time property which was under the control of the Department of Railways is transferred to the Department of Public Works or some other government department, and the amount at which it is carried is transferred. In 1943, for instance, there was a wharf at Mulgrave transferred from the railway account to the Department of Public Works. It was in the railway account at \$20,190. I can give you the items, if you like.

Mr. JACKMAN: The government always gives the original cost on these things?

Mr. COOPER: They are not really giving them to us. It is simply that in public accounts you have certain divisions of the assets. Some are under the heading of public works. For instance, post offices, I suppose, are under public works. The Canadian government railway is under the Department of Railways. If public works required a piece of property which is under the control of railways, a transfer has to be made in the public accounts. Public accounts reflect the railways and canals investment and we have to make a corresponding transfer to the one which is made in public accounts. It is simply a transfer of a piece of government property from one department of government to the other department of government at its original cost.

Mr. ROEBUCK: I think John Inglis took over a certain amount of railway property, as you will remember.

Mr. COOPER: We do not transfer from the railway to outside interests.

Mr. ROEBUCK: But this is a government company.

Mr. COOPER: I do not know about John Inglis. We only deal with transfers from one department of government to another department of government.

Mr. VAUGHAN: This refers to the old Canadian Government Railways which are vested in the crown.

Mr. ROEBUCK: Oh, yes.

Mr. COOPER: Is it not clear?

Mr. JACKMAN: You mean with respect only to the railways in the system?

Mr. VAUGHAN: I am talking about the old Intercolonial Railway. It is still a crown company although it is included for operating purposes with the Canadian National Railways.

Mr. JACKMAN: With regard to the case Mr. Roebuck mentioned, the John Inglis plant, which was making Bren machine guns, it is built on, I suppose, a C.N.R. siding and there the property is, I presume, acquired by the crown, the Department of Munitions and Supply or some other department. Do you sell that property from the system to a department of government?

Mr. COOPER: Which is that department?

Mr. JACKMAN: I do not see it here, but Mr. Roebuck mentioned it.

Mr. ROEBUCK: It just struck my mind.

Mr. COOPER: There would not be any Canadian Government Railways property in Toronto. The Canadian Government Railways never ran into Toronto.

Mr. VAUGHAN: That would be the old Grand Trunk.

Mr. JACKMAN: It is in the system.

Mr. COOPER: If the Grand Trunk sold property, or the Canadian National Railways, we would reduce our investment account.

Mr. JACKMAN: You charge it off at the price you charge the outsider?

Mr. COOPER: Yes.

Mr. VAUGHAN: We would get the market price.

Hon. Mr. MICHAUD: Do you want the details of these transfers? There is the Mulgrave wharf transferred to the Department of Public Works, \$20,000; North Sydney, another wharf transferred to the Department of Public Works, \$195,000; Alberton, Prince Edward Island, another wharf transferred to the Department of Public Works, \$10,000; Saint John, New Brunswick, a wharf transferred to the Department of National Defence, \$44,000; and Pictou, Nova Scotia, land transferred to the Department of Munitions and Supply, \$148. There is no cash transaction. It is just property owned by the old Canadian Government Railways or the Old Intercolonial Railway, and those properties are

transferred to the Department of Public Works because they have to look after the upkeep of these properties, and it is their responsibility to keep them up. So that is why they have been transferred.

Mr. JACKMAN: I notice under operating revenues, on page 19 —

The VICE CHAIRMAN: Shall we go on to operating revenues? Are there any questions on operating revenues?

OPERATING REVENUES

	1943	1942
Freight	\$320,758,860 87	\$284,427,334 25
Maritime Rates Reduction.....	4,140,862 77	4,034,861 04
Passenger	66,891,033 94	48,297,257 89
Baggage	130,045 98	117,175 53
Sleeping Car	4,177,870 17	2,952,807 96
Parlor and Chair Car.....	217,126 00	285,926 35
Mail	4,047,893 92	3,967,352 40
Railway Express Agency.....	630,036 91	492,511 29
Express	16,860,746 10	13,010,214 49
Other Passenger-Train	14,079 88	15,947 45
Milk	432,293 55	327,131 84
Switching	3,092,258 36	2,884,872 48
Water Transfers	137,498 71	133,677 23
Dining and Buffet.....	4,711,769 37	3,133,256 51
Restaurants	131,986 46	22,612 05
Station, Train and Boat Privileges.....	432,043 30	298,421 28
Parcel Room	149,151 84	89,558 56
Storage—Freight	97,879 32	123,437 22
Storage—Baggage	80,652 28	48,872 07
Demurrage	2,442,762 99	1,772,752 18
Telegraph Commissions (U.S.).....	14,096 83	12,162 10
Telegraph—Commercial	7,089,378 82	5,910,065 10
Grain Elevator	530,487 67	528,267 38
Rents of Buildings and Other Property.....	633,436 54	566,689 71
Miscellaneous	2,162,239 27	1,753,320 73
Joint Facility—Credit	713,175 05	570,939 88
Joint Facility—Debit	103,712 32	122,881 57
	<u>\$440,615,954 58</u>	<u>\$375,654,543 40</u>

Mr. JACKMAN: I do not want you to slow me up, Mr. Chairman. The mail is away up from \$3,967,352.40 to \$4,047,893.92. In view of the fact that you are probably handling a great deal more mail, does your contract with the post office not entitle you to a bigger share of the postage?

Mr. VAUGHAN: These are actual figures, Mr. Jackman. But there is no doubt that Trans-Canada Air Lines have taken some of the mail away.

Mr. NICHOLSON: You cannot get it both ways.

Mr. WALTON: The railway handling was not very much up in 1943 over 1942.

Mr. VAUGHAN: There was very little difference in the railway mail handling.

Mr. JACKMAN: Is that so?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: Is that due to any peculiarity in the contract?

Mr. WALTON: No. It represents volume.

Mr. NICHOLSON: I notice that sleeping car revenue is up about 40 per cent. Have you the figures available for the years prior to 1942?

Mr. ROEBUCK: Parlor and chair car revenue is away down.

Mr. NICHOLSON: They have taken off most of those.

Hon. Mr. MICHAUD: The people sleep now instead of sitting up.

Mr. NICHOLSON: Do you make money on your sleeping car operation? Have you that information available?

Mr. VAUGHAN: It all depends on how you calculate it. We show that we make money on our sleeping cars. I think we do. It depends to what extent you charge interest on cost, depreciation, etc.

Mr. NICHOLSON: Could you build sleeping car equipment, run standard sleeping car trains and make money at present rates?

Mr. VAUGHAN: I suppose if the cars were filled we could.

Mr. NICHOLSON: If you had 50 per cent occupancy?

Mr. VAUGHAN: Well, I would doubt it. You will see on page 19 that the revenue from sleeping car operations in the year was \$4,177,870.17. On page 21, under transportation, you will see that the cost of operating those sleeping cars was \$1,762,137.90. That, I may say, does not include the cost of repairing cars which is all charged to repairs to cars. So that I say it is difficult to calculate.

Mr. NICHOLSON: Does that include the hauling of them?

Mr. VAUGHAN: Oh, no.

Mr. NICHOLSON: That should be a cost, should it not?

Mr. VAUGHAN: That comes into our passenger revenue.

Mr. WALTON: It is pretty hard to segregate the hauling of all the different classes of cars.

Mr. VAUGHAN: Yes. The thing must be taken as a whole.

Mr. NICHOLSON: How do your rates compare with the American rates? It seems to me they are lower here, are they not?

Mr. VAUGHAN: On transcontinental lines they are approximately the same. I think there is little difference between the American rates and ours.

Mr. NICHOLSON: You have not those figures available?

Mr. VAUGHAN: No. I have not those figures available.

Mr. NICHOLSON: It seems to me the minimum sleeping car fare over there is a good deal higher than it is here.

Mr. VAUGHAN: In connection with the question you asked Mr. Nicholson, about what our figures were for sleeping car earnings for previous years. In 1940 the sleeping car earnings were \$1,315,000; in 1941 the figure was \$1,952,000; in 1942 it was \$2,952,000 and in 1943, \$4,177,000.

Mr. NICHOLSON: It has gone up over a million a year, apparently.

Mr. VAUGHAN: Yes.

The VICE CHAIRMAN: Are there any other questions?

Mr. JACKMAN: Under operating expenses?

The VICE CHAIRMAN: Yes.

OPERATING EXPENSES

Maintenance of Way and Structures

	1943	1942
Superintendence	\$ 3,400,526 42	\$ 3,347,753 82
Roadway Maintenance	6,976,895 50	6,304,724 89
Tunnels and Subways	50,985 29	101,281 33
Bridges, Trestles and Culverts	1,838,391 52	2,386,493 81
Ties	6,190,555 28	5,214,706 04
Rails	3,237,902 31	2,944,779 24
Other Track Material	2,774,329 90	2,365,972 61
Ballast	1,437,333 74	1,204,389 97
Track Laying and Surfacing	15,801,141 43	14,117,355 58
Fences, Snowsheds and Signs	467,317 50	496,884 09
Station and Office Buildings	2,201,496 33	2,133,215 05
Roadway Buildings	288,416 79	259,663 68
Water Stations	488,874 36	593,114 87
Fuel Stations	258,153 91	276,061 74
Shops and Enginehouses	451,188 58	2,873,778 68
Grain Elevators	44,037 08	350,094 03
Wharves and Docks	249,368 66	214,376 03

OPERATING EXPENSES (Continued)

Maintenance of Way and Structures—Conc.

	1943	1942
Coal and Ore Wharves.....\$	33 16	\$ 8,081 38
Telegraph and Telephone Lines	970,338 59	912,553 50
Telegraph—Commercial	998,103 66	871,689 15
Signals and Interlockers	996,918 24	838,901 73
Power Plants	8,023 77	7,859 51
Power Transmission Systems	110,311 74	92,022 70
Miscellaneous Structures	2,884 36	1,667 78
Road Property—Depreciation—U.S. Lines	763,317 87	22,817 37
Road Property—Retirements	2,286,928 41	.....
Deferred Maintenance	8,150,000 00	4,350,000 00
Roadway Machines	467,957 41	422,025 55
Dismantling Retired Road Property	111,193 83	.....
Amortization of Defence Projects	1,005,600 84	1,002,696 17
Small Tools and Supplies	777,648 28	727,166 58
Removing Snow, Ice, and Sand	3,758,971 39	2,220,020 47
Public Improvements—Maintenance	293,874 98	270,057 48
Injuries to Persons	515,272 59	448,736 51
Insurance	20,017 20	21,794 90
Stationery and Printing	59,994 41	62,537 71
Other Expenses	37,349 52	47,634 22
Maintaining Joint Tracks, Yards, etc.—Debit.....	838,314 80	656,193 83
Maintaining Joint Tracks, Yards, etc.—Credit	1,570,372 58	1,242,433 63
Right of Way Expenses	51,366 39	46,746 79
Protective Services	497,466 00	683,122 47
	<u>\$ 67,308,429 46</u>	<u>\$ 57,656,537 63</u>

Maintenance of Equipment—

Superintendence	\$ 1,380,610 64	\$ 1,443,653 13
Shop Machinery	1,405,443 40	1,974,094 97
Power Plant Machinery.....	65,296 35	172,242 68
Machinery—Retirements	280,173 62	.....
Machinery—Depreciation—U.S. Lines	64,968 69	.....
Dismantling Retired Machinery.....	6,017 31	.....
Steam Locomotives—Repairs	20,520,105 61	19,021,873 12
Other Locomotives—Repairs	187,668 43	157,163 82
Freight-Train Cars—Repairs	14,406,357 85	13,964,564 74
Passenger-Train Cars—Repairs	7,960,260 28	6,732,699 30
Floating Equipment—Repairs	400,698 33	262,588 03
Work Equipment—Repairs	1,873,455 01	1,659,361 17
Express Equipment—Repairs	144,423 02	151,491 52
Miscellaneous Equipment—Repairs	116,630 53	105,531 01
Miscellaneous Equipment—Retirements	2,719 28	.....
Dismantling Retired Equipment.....	64,536 76	56,075 67
Equipment—Depreciation	19,829,613 32	16,974,945 14
Express Equipment—Depreciation.....	156,206 50	.....
Injuries to Persons.....	433,855 00	325,834 64
Insurance	19,028 25	20,143 79
Stationery and Printing.....	47,004 37	49,239 06
Other Expenses	11,949 24	14,690 68
Joint Maintenance of Equipment—Debit.....	207,565 49	162,569 35
Joint Maintenance of Equipment—Credit.....	218,056 55	208,272 27
Deferred Maintenance—Equipment	3,000,000 00	8,500,000 00
	<u>\$ 72,366,530 73</u>	<u>\$ 71,540,489 55</u>

Mr. JACKMAN: Under the item of shops and enginehouses about ten or twelve lines down, the figure in 1942 was \$2,873,778.68 and in 1943 it was \$451,188.58. There is a very big decrease there. There must be some explanation.

Mr. VAUGHAN: There is a reason for that.

Mr. COOPER: I think that is somewhat of an accounting matter, Mr. Jackman. In 1942 we expected to retire the car shops at Montreal and we charged into our expenses \$940,000 on that account. In 1943 we made a survey; we sent the engineer out to check the actual retirements, and he reported that it was in the neighbourhood of \$600,000. What we did then was to cancel in 1943 the entry which we had made in 1942, so that in 1942 you had a debit of \$940,000 in this account—that is the Point St. Charles shop—and in 1943 you have a credit of \$940,000. Now the new charge of \$600,000, because of the change in

the I.C.C. accounting regulations with respect to charges for property retired, was charged to account, "road property—retirements, \$2,286,928.41." That is the story.

Mr. JACKMAN: That takes it up?

Mr. COOPER: Yes.

Mr. HANSON (*Skeena*): With regard to grain elevators, the figure in 1942 was \$350,094.03, and in 1943 it is \$44,037.08, for operating expenses. That is a big drop. I should like to have an explanation of that.

Mr. COOPER: I did not quite catch that.

Mr. JACKMAN: There is an item for grain elevators, \$350,000 in 1942 and \$44,000 in 1943.

Hon. Mr. MICHAUD: It is in connection with grain elevators, the item about the middle of page 19.

Mr. COOPER: In 1942—and it was discussed here last year—we wrote off the Portland elevator. We charged into our account there \$309,000 in 1942 for the retirement of the Portland elevator. There is no corresponding charge this year.

Mr. NICHOLSON: You have taken off quite a number of the parlor and chair cars. Have they been converted into passenger cars or what have you done with them?

Mr. VAUGHAN: To a large extent they have been converted into other types of cars.

The VICE-CHAIRMAN: Are there any other questions on this page? Shall we turn over to the next?

Mr. ROEBUCK: What is the meaning of "road property—retirements"? There is nothing at all shown in 1942, and in 1943 there is \$2,286,928.41. Then there is "deferred maintenance" right below that where the amount is doubled. There must be a story there.

Mr. COOPER: In 1943 there was a change in the accounting regulations of the Interstate Commerce Commission. Previously losses in connection with property retired and replaced were charged to the general maintenance accounts. But in 1943 the commission asked us to put them all into one account, and we created a new account into which all items of this nature are charged. That is the explanation.

OPERATING EXPENSES (Continued)

Traffic—

Superintendence	\$ 1,972,998 40	\$ 1,890,285 07
Outside Agencies	2,624,847 08	2,470,681 25
Advertising	381,445 84	361,231 53
Traffic Associations	105,822 89	107,300 71
Stationery and Printing.....	291,048 74	292,186 41
Other Expenses	17 52	615 69
Industrial Bureau	95,089 70	87,558 02
Colonization, Agriculture and Natural Resources.....	175,810 04	182,477 97
	<u>\$ 5,647,080 21</u>	<u>\$ 5,392,336 65</u>

Transportation—

Superintendence	\$ 3,510,848 32	\$ 3,517,511 59
Dispatching Trains	2,034,611 77	1,887,968 29
Station Employees	21,028,176 95	19,057,298 39
Weighing, Inspection, and Demurrage Bureaus.....	90,708 24	90,211 44
Station Supplies and Expenses.....	1,600,008 13	1,488,617 01
Yardmasters and Yard Clerks.....	4,141,427 14	3,519,878 51
Yard Conductors and Brakemen.....	7,869,756 38	7,084,554 33
Yard Switch and Signal Tenders.....	789,635 34	689,892 34
Yard Enginemen	5,145,431 14	4,660,449 24
Yard Motormen	430,985 09	352,325 02
Yard Switching Fuel.....	6,297,106 30	5,164,506 94
Yard Switching Power Produced.....	9,632 05	9,628 33
Yard Switching Power Purchased.....	101,380 03	72,949 02

STANDING COMMITTEE

OPERATING EXPENSES (Concluded)

Transportation—Conc.

Water for Yard Locomotives.....	\$ 198,213 39	\$ 183,882 53
Lubricants for Yard Locomotives.....	80,672 60	75,723 31
Other Supplies for Yard Locomotives.....	49,464 72	42,122 12
Enginehouse Expenses—Yard	1,771,962 44	1,470,367 98
Yard Supplies and Expenses.....	166,628 40	156,618 84
Operating Joint Yards and Terminals—Debit.....	1,558,270 73	1,354,427 58
Operating Joint Yards and Terminals—Credit.....	1,965,670 87	1,873,925 67
Train Enginemen	14,612,370 91	13,456,416 11
Train Motormen	114,602 84	112,922 87
Train Fuel	33,447,645 27	27,712,029 98
Train Power Produced.....	17,916 08	12,360 89
Train Power Purchased.....	58,537 43	38,202 57
Water for Train Locomotives.....	1,279,597 99	1,183,171 34
Lubricants for Train Locomotives.....	540,069 96	483,470 42
Other Supplies for Train Locomotives.....	284,984 01	235,993 03
Enginehouse Expenses—Train	5,152,917 65	4,394,091 64
Trainmen	16,250,269 83	14,941,560 21
Train Supplies and Expenses.....	9,839,359 66	8,063,339 47
Operating Sleeping Cars.....	1,762,137 90	1,495,983 62
Signal and Interlocker Operation.....	519,634 20	471,830 46
Crossing Protection	764,211 32	711,091 44
Drawbridge Operation	121,717 82	119,177 70
Telegraph and Telephone Operation.....	389,983 62	357,470 56
Telegraph—Commercial	4,721,131 28	4,442,485 42
Operating Floating Equipment.....	1,152,710 36	1,025,644 50
Express	7,742,672 35	6,498,139 59
Stationery and Printing	650,390 99	597,244 11
Other Expenses	1,139,639 79	1,000,282 34
Operating Joint Tracks and Facilities—Debit.....	743,402 61	719,103 42
Operating Joint Tracks and Facilities—Credit.....	492,321 93	478,661 78
Insurance	11,645 86	11,656 56
Clearing Wrecks	556,223 80	384,231 96
Damage to Property.....	68,201 67	80,822 68
Damage to Live Stock on Right-of-Way.....	76,953 33	56,388 15
Loss and Damage—Freight.....	1,412,664 81	1,001,152 72
Loss and Damage—Baggage.....	13,682 08	7,987 02
Injuries to Persons.....	1,615,246 55	1,466,962 68
	<u>\$159,477,448 33</u>	<u>\$139,607,558 82</u>

Miscellaneous—

Dining and Buffet Service.....	\$ 4,897,656 95	\$ 3,746,868 66
Restaurants	138,501 21	21,924 36
Grain Elevators	305,397 73	196,159 47
Other Miscellaneous Operators.....	38,860 86	37,900 12
	<u>\$ 5,380,416 75</u>	<u>\$ 4,002,852 61</u>

General—

Salaries and Expenses of General Officers.....	\$ 473,179 16	\$ 464,452 27
Salaries and Expenses of Clerks and Attendants....	5,607,560 78	4,419,955 96
General Office Supplies and Expenses.....	292,898 58	263,866 64
Law Expenses	339,984 73	344,478 99
Relief Department Expenses.....	27,500 00	27,500 00
Pensions	7,083,929 75	4,859,896 18
Stationery and Printing.....	203,924 51	162,232 43
Valuation Expenses	14,237 01	12,251 56
Other Expenses	222,827 27	222,381 03
General Joint Facilities—Debit.....	40,909 03	36,946 59
General Joint Facilities—Credit.....	11,186 80	15,062 19
	<u>\$ 14,295,764 02</u>	<u>\$ 10,798,899 46</u>

The CHAIRMAN: On page 22, Property Investment Account; expenditures for the year 1943; are there any questions?

PROPERTY INVESTMENT ACCOUNT

Expenditures Year 1943

Road:	
Montreal Terminal Development, Chapter 12-1929.....\$	258,454 07
Rails and Fastenings	373,274 60
Tie Plates and Rail Anchors	577,607 56
Ballast	167,979 84
Ditching, Drainage and Sewers	60,318 74
Large Freight Terminals	262,409 58
Large Passenger Terminals	117,489 75
Yard Tracks and Sidings	909,562 59
Roadway Machines	206,262 95
Bridges, Trestles and Culverts	349,630 86
Crossing Protection including Subways	75,175 37
Stations and Station Facilities	333,813 46
Shops, Enginehouses and Machinery	317,296 04
Signals and Interlockers	898,141 21
Telegraphs—Railway	45,819 34
Telegraphs—Commercial	374,023 89
Assessments for Public Improvements	50,667 53
Land	88,524 53
General Additions and Betterments	162,101 90
	<hr/>
	\$ 5,451,504 75
Equipment:	
Equipment Purchased or Built	\$ 19,148,543 65
Equipment Retirements	1,454,181 00
General Betterments to Equipment.....	20,773 03
Equipment Conversions and Transfers	72,456 63
Express and Miscellaneous Equipment	41,752 02
	<hr/>
	17,829,344 33
Hotels	4,897 93
Separately Operated Properties	47,342 53
	<hr/>
Net Additions and Betterments during 1943.....	\$23,333,089 54
	<hr/>
Ledger Balances 1st January, 1943	\$1,960,812,337 81
Net Additions and Betterments during the year	\$23,333,089 54
Acquisition of Atlantic and St. Lawrence Railroad Co.	8,480,700 00
Adjustment with respect to transfer to Canadian National Railway Company of the railway properties of the Toronto Belt Line Railway Company and of The Irondale Bancroft and Ottawa Railway Company..	17,100 00
Transfer between balance sheet accounts of property donated to the Railway.....	488,475 43
Regina Freight Line Cut-off abandoned.....	232,115 49
Property transfers from Canadian Government Railways to other Government Departments	270,160 11
	<hr/>
	30,805,938 06
	<hr/>
Ledger Balance at 31st December, 1943.....	\$1,991,618,275 87
	<hr/>

FUNDED DEBT—PRINCIPAL AND INTEREST

NAME OF SECURITY	Issuing Company	Date of Issue	Date of Maturity	Principal Outstanding at Dec. 31, 1943	Interest Accrued 1943
GUARANTEED BY DOMINION OF CANADA:					
5% Perpetual Debenture Stock.....	G.T.R.....	1875 to 1883	Perpetual	\$ 1,566,288.00	\$ 74,185.48
5% G.W. Perp. Debtr. Stock and Bonds.	G.T.R.....	1858 to 1876	Perpetual	1,002,582.00	46,730.79
4% Perpetual Debenture Stock.....	G.T.R.....	1883 to 1918	Perpetual	7,228,143.67	296,198.54
4% Nor. Rly. Perpetual Debtr. Stock.	G.T.R.....	July 31, 1884	Perpetual.....	38,529.40	1,666.63
3% 1st Mortgage Bonds.....	G.T.P.....	July 1, 1905	Jan. 1, 1962	26,465,130.00	793,953.90
4% Sterling Bonds.....	G.T.P.....	July 1, 1914	Jan. 1, 1962	7,999,074.00	319,962.96
3% 1st Mortgage Debenture Stock.....	Can. Nor...	July 29, 1903	July 10, 1953	1,204,339.39	32,853.23
3% 1st Mortgage Debenture Stock.....	Can. Nor...	Mar. 1910	July 20, 1958	5,647,653.49	197,533.97
3% 1st Mortgage Debenture Stock.....	Can. Nor...	July 1, 1921	July 1, 1946	23,754,000.00	1,544,010.00
6% Sinking Fund Debenture Stock...	Can. Nor...	Mar. 22, 1911	May 4, 1960	551,505.27	18,715.31
3% 1st Mortgage Debenture Stock.....	C.N.A.....	Dec. 8, 1911	May 19, 1961	4,034,179.54	136,495.59
3% 1st Mortgage Debenture Stock.....	C.N.O.....	Feb. 1, 1924	Feb. 1, 1954	50,000,000.00	2,500,000.00
5% 30 Year Guaranteed Bonds.....	Can. Nat...	July 1, 1927	July 1, 1957	64,136,000.00	2,886,120.00
4% 30 Year Guaranteed Gold Bonds...	Can. Nat...	July 1, 1929	July 1, 1969	56,704,000.00	2,835,200.00
5% 40 Year Guaranteed Gold Bonds...	Can. Nat...	Oct. 1, 1929	Oct. 1, 1969	57,728,500.00	2,886,383.58
5% 40 Year Guaranteed Gold Bonds...	Can. Nat...	Feb. 1, 1930	Feb. 1, 1970	17,338,000.00	866,900.00
4% 25 Year Guaranteed Gold Bonds...	Can. Nat...	June 15, 1930	June 15, 1955	48,503,000.00	2,303,277.31
4% 25 Year Guaranteed Gold Bonds...	Can. Nat...	Feb. 1, 1931	Feb. 1, 1956	67,368,000.00	3,031,560.00
4% 20 Year Guaranteed Gold Bonds...	Can. Nat...	Sept. 1, 1931	Sept. 1, 1951	48,022,000.00	2,160,990.00
3% 16 Year Guaranteed Bonds.....	Can. Nat...	Dec. 15, 1934	Dec. 15, 1950	20,500,000.00	615,000.00
3% 9 Year Guaranteed Bonds.....	Can. Nat...	May 1, 1935	May 1, 1944	35,000,000.00	1,050,000.00
3% 17 Year Guaranteed Bonds.....	Can. Nat...	Feb. 15, 1936	Feb. 15, 1953	25,000,000.00	750,000.00
2% 7 Year Guaranteed Bonds.....	Can. Nat...	Feb. 1, 1937	Feb. 1, 1944	15,500,000.00	348,750.00
3% 15 Year Guaranteed Bonds.....	Can. Nat...	Feb. 1, 1937	Feb. 1, 1952	20,000,000.00	600,000.00
3% 13 Year Guaranteed Bonds.....	Can. Nat...	Dec. 15, 1937	Dec. 15, 1950	30,000,000.00	900,000.00
2% 7 Year Guaranteed Bonds.....	Can. Nat...	Jan. 15, 1939	Jan. 15, 1946	15,000,000.00	337,500.00
3% 20 Year Guaranteed Bonds.....	Can. Nat...	Jan. 15, 1939	Jan. 15, 1959	35,000,000.00	1,050,000.00
Total Issues Guaranteed by Dominion of Canada.....				\$ 685,290,924.76	\$ 28,583,487.29
GUARANTEED BY PROVINCE OF NEW BRUNSWICK:					
4% 1st Mortgage Debenture Stock.....	St. J. & Q..	May 14, 1912	June 1, 1962	\$ 648,450.73	\$ 25,586.81
GUARANTEED BY PROVINCE OF BRITISH COLUMBIA:					
4% 1st Mortgage Debenture Stock.....	C.N.P.....	Nov. 16, 1911	April 2, 1950	\$ 971,785.73	\$ 35,310.36
4% Terminal Debenture Stock.....	C.N.P.....	1913 and 1914	April 2, 1950	1,165,819.74	51,044.01
Total Issues Guaranteed by Provincial Governments.....				\$ 2,786,056.20	\$ 111,941.18
EQUIPMENT TRUST ISSUES:					
5% Series "K".....	Can. Nat...	May 1, 1929	Ser. 1, 5, '44	\$ 1,200,000.00	\$ 80,000.00
5% "G.T.W.".....	G.T.W.....	Dec. 14, 1929	Ser. 14, 12, '44	276,000.00	27,281.80
5% "C.V.R.".....	G.T.W.....	Dec. 14, 1929	Ser. 14, 12, '44	41,000.00	4,241.39
5% "C.V.R.".....	C.V.R.....	Dec. 14, 1929	Ser. 14, 12, '44	72,000.00	7,326.67
4% "L".....	Can. Nat...	June 1, 1930	Ser. 1, 6, '45	2,100,000.00	114,187.50
2% "O".....	Can. Nat...	Aug. 1, 1937	Ser. 1, 8, '47	5,720,000.00	163,854.17
2% "P".....	Can. Nat...	Sept. 15, 1938	Ser. 15, 9, '53	5,100,000.00	149,989.58
2% "Q".....	Can. Nat...	July 1, 1939	Ser. 1, 7, '49	3,900,000.00	105,625.00
2% "G.T.W.".....	G.T.W.....	June 1, 1941	Ser. 1, 6, '51	4,267,000.00	116,175.00
Total Equipment Trust Issues.....				\$ 22,676,000.00	\$ 768,681.11
OTHER ISSUES:					
4% Canada Atlantic 1st Mtge. Bonds...	G.T.R.....	Jan. 1, 1905	Jan. 1, 1955	9,962,028.00	398,081.46
6% Northern Railway 3rd Pref. Bonds	G.T.R.....	1868	Perpetual	2,433.33	146.00
4% 1st Mortgage Bonds.....	Pem. Sou...	Sept. 1, 1906	Sept. 1, 1956	150,000.00	6,000.00
4% 2nd Mtge. Bonds, Prairie "A".....	G.T.P.....	April 1, 1905	April 1, 1955	3,586,680.00	143,476.92
4% 2nd Mtge. Bonds, Mountain "B"...	G.T.P.....	April 1, 1905	April 1, 1955	3,167,748.00	126,372.06
4% 1st Mtge. Bonds, "Lake Superior"...	G.T.P.....	April 1, 1905	April 1, 1955	2,155,896.00	86,188.98
4% Perpetual Cons. Debenture Stock...	Can. Nor...	1903 to 1912	Perpetual	4,190,964.07	151,741.00
4% Perpetual Cons. Debenture Stock...	C.N.O.....	June 21, 1909	Perpetual	972,997.53	36,923.02
4% Perpetual Cons. Debenture Stock...	C.N.Q.....	Oct. 1906	Perpetual	470,212.46	17,892.04
4% 1st Mtge. Perp. Debenture Stock...	Q. & L. St. J.	June 1, 1912	Perpetual	315,272.40	12,506.42
4% 1st Mortgage Bonds.....	G.T.W.....	Nov. 30, 1900	July 1, 1950	6,551,372.00	262,295.84
4% 1st Mortgage Series "A" Bonds...	G.T.W.....	Jan. 1, 1930	Jan. 1, 1980	400,000.00	18,000.00
4% Indebtedness of S.S. & C.Co.....	C.V.R.....	Aug. 27, 1858	Optional	155,865.25	6,234.61
4% 1st Mortgage Gold Bonds.....	M. & P.L...	Oct. 1, 1900	Oct. 1, 1950	200,000.00	8,000.00
5% Indebtedness to Prov. of N.B.....	Can. Nat...	Sept. 3, 1929	Various	1,198,022.60	59,901.13
Interest on Securities matured in 1943..					200,327.26
Total Other Issues.....				\$ 33,479,491.64	\$ 1,534,086.74
Total Debt held by Public (including therein \$13,228,313.86 par value held in Special Funds and Accounts) as per Balance Sheet.....				\$ 744,232,472.60	\$ 30,998,196.32

These obligations are stated in Canadian currency, Sterling and United States currencies being converted at the par of exchange.

This schedule does not include securities in the Railway treasury or those held by The Canadian National Railways Securities Trust, or by the Dominion Government as collateral.

Mr. EMMERSON: What about that Montreal Terminal Development, I see you have an expenditure there of \$258,000?

Mr. VAUGHAN: That is the amount that was spent on the new terminal in 1943.

Mr. NICHOLSON: How much more will there be in the future; what is the provision for next year?

Mr. VAUGHAN: There is an item with respect to 1944 amounting to \$313,000.

The CHAIRMAN: On funded debt—principal and interest:

Mr. HANSON (*Skeena*): Has anything further been done in connection with the retirement of the perpetual bonds carrying high interest rates?

Mr. VAUGHAN: A very large number of them have been in these vested securities. There have been a lot taken up—do you remember, Mr. Cooper? I think we have it here somewhere. It amounts to a large sum of money. They have been largely taken up in that way.

Mr. McCULLOCH: I suppose you have taken up these 5 and 6 per cent ones first?

Mr. VAUGHAN: We are trying to get rid of all securities carrying high rates of interest as quickly as we can.

Mr. COOPER: In connection with the repatriation of securities, I may say that with respect to the old Grand Trunk 5 per cent perpetual debenture stock we have retired \$19,216,000; Great Western 5 per cent perpetual debenture stock we have retired \$12,249,000; Grand Trunk 4 per cent perpetual debenture stock we have retired \$112,610,000; of the 4 per cent Northern Railway perpetual debenture stock, \$1,460,000; and of the Grand Trunk 4 per cent perpetual guaranteed stock, \$60,833,000.

Mr. McCULLOCH: Was any of that retired during the past year, 1943?

Mr. COOPER: Yes, there were small quantities, but most of the repatriation proceedings were in 1942. There were a few which came along in 1943 and again there will be a few in 1944. Some of these securities are not subject to the United Kingdom vesting order; a person for instance living in southern Ireland would not be subject to an order issued by the United Kingdom Government and there is no way in which that stock can be acquired except by negotiation.

The CHAIRMAN:

DOMINION OF CANADA—LOANS

(Treated as Assets in Public Accounts of Canada)

	Principal Outstanding at Dec. 31, 1943	Interest Accrued 1943
3½% Advances, Refunding Act, 1938.....	\$ 69,418,415 43	\$ 2,498,071 45
2 % Advances, Refunding Act, 1938.....	24,689,392 53	493,787 86
3½% Advances for Repatriation of G.T.R. Debenture Stock....	106,949,109 26	3,729,211 56
3½% Advances for Repatriation of other Railway Securities....	281,808,025 51	9,837,494 75
3 % Purchase of Railway Equipment, 1936 (Repayable 1938-1950)	3,620,211 59	113,131 62
3½% Purchase of Railway Equipment, 1940 (Repayable 1941-1955)	11,903,619 82	426,899 69
3½% Purchase of Railway Equipment, 1941 (Repayable 1943-1957)	19,356,880 11	633,039 89
Purchase of Railway Equipment, 1943 (Repayable 1945-1959)	5,671,111 11	43,351 95
3½% Temporary Loan for Working Capital.....	13,906,999 71	486,744 98
Interest on Loans repaid in 1943.....	.....	403,114 26
	<hr/> \$537,323,765 07	<hr/> \$18,664,848 01

Mr. NICHOLSON: Before we leave this page; what effort has been made to refund these 6½ per cent Canadian northern bonds, something over \$27,000,000. Of course, they mature in 1946, but that is a very high rate of interest. Has any effort been made to take them in?

Mr. VAUGHAN: We cannot do anything with those until 1946 because they are not callable, so we will have to wait until the term expires in 1946 before we can deal with them.

The CHAIRMAN: Investments in affiliated companies:

INVESTMENTS IN AFFILIATED COMPANIES

Company	Total Par Value Outstanding	Owned by Can. Nat. System	
		Par Value	Book Value
Stocks:			
The Belt Railway Company of Chicago....	\$ 3,120,000 00	\$ 240,000 00	\$ 240,000 00
Canadian Government Merchant Marine, Limited	800 00	800 00	800 00
Central Vermont Transportation Company.	200,000 00	50,000 00	20,000 00
Chicago & Western Indiana Railroad Co.	5,000,000 00	1,000,000 00	1,000,000 00
The Detroit & Toledo Shore Line Railroad Company	3,000,000 00	1,500,000 00	1,542,000 00
Detroit Terminal Railroad Company.....	2,000,000 00	1,000,000 00	1,000,000 00
Northern Alberta Railways Company..... (representing amount paid up, i.e. 10%)	625,000 00	312,500 00	312,500 00
The Ontario Car Ferry Company (Limited)	500,000 00	250,000 00	179,007 53
The Public Markets, Limited.....	1,150,000 00	575,000 00	575,000 00
Railway Express Agency Incorporated (no par value).....	1,000 shares	6 shares	600 00
The Toronto Terminals Railway Company.	500,000 00	250,000 00	250,000 00
The Toledo Terminal Railroad Company..	4,000,000 00	387,200 00	387,200 00
Trans-Canada Air Lines..... (representing amount paid up, i.e. 92%)	4,600,000 00	4,600,000 00	4,600,000 00
Vancouver Hotel Company Limited.....	150,000 00	75,000 00	75,000 00
			<u>\$10,182,107 53</u>
Bonds:			
Northern Alberta Railways Co. 1st Mort- gage Bonds.....	\$27,230,000 00	\$13,615,000 00	\$13,615,000 00
The Toronto Terminals Railway Co. 1st Mortgage Bonds.....	25,610,000 00	12,805,000 00	12,805,000 00
			<u>\$26,420,000 00</u>
Advances:			
Chicago & Western Indiana Railroad Company.....			\$ 2,016,744 63
The Railroad Credit Corporation.....			93,512 93
Railway Express Agency, Incorporated.....			126,246 02
Vancouver Hotel Company Limited.....			16,436 25
			<u>\$ 2,252,939 83</u>
			<u><u>\$38,855,047 36</u></u>

MAJOR CONTINGENT LIABILITIES

TRANS-CANADA AIR LINES:

The Canadian National Railway Company owns \$5,000,000 of the Capital Stock of the Air Lines on which total call to 31st December, 1943, has been \$4,600,000.

NORTHERN ALBERTA RAILWAYS COMPANY:

The Canadian National Railway Company owns \$3,125,000 of the Capital Stock of the Railway Company on which total call to date has been 10%.

Under agreement of purchase dated 6th. February, 1929, Canadian National Railway Company became liable for one-half of the purchase consideration for the property. This obligation was later assumed by Northern Alberta Railways Company which took title to the property. As of 31st. December, the commitment of the Canadian National Railways Company was \$1,210,000. The Canadian National Railway Company takes up currently in its income account one-half of the annual surplus or deficit of Northern Alberta Railways Company.

THE DETROIT & TOLEDO SHORE LINE RAILROAD COMPANY:

Assumed by Grand Trunk Western Railroad Company as joint and several guarantor by indorsement of principal and interest of \$3,000,000 First Mortgage 4%—50 Year Gold Bonds due 1953.

THE TOLEDO TERMINAL RAILROAD COMPANY:

Assumed by Grand Trunk Western Railroad Company in respect of \$5,800,000 First Mortgage 4½%—50 Year Gold Bonds due 1957. The guarantee is as to interest only and is several and not joint. Grand Trunk Western's proportion is 9·68%.

CHICAGO & WESTERN INDIANA RAILROAD COMPANY:

Assumed by Grand Trunk Western Railroad Company, pursuant to joint supplemental lease dated 1st. July, 1902, between Grand Trunk Western Railway Company and four other proprietary companies. Obligation is for repayment of principal of bonds at their maturity, and of interest as it falls due by way of annual rentals. The Grand Trunk Western's obligation is for one-fifth of the bonds issued for "common" property and the entire amount of bonds issued for its "exclusive" property. The bonds are Consolidated Mortgage 50 Year 4% bonds due 1952 and the amounts outstanding at 31st. December, 1943, are:—

Issued for "common" property.....	\$39,973,019 39
Issued for "exclusive" property.....	252,535 36

Assumed by Grand Trunk Western Railroad Company pursuant to joint supplemental lease dated 1st. March, 1936, between Grand Trunk Western Railroad Company and other proprietary companies. Obligation is to pay as rental sinking fund payments sufficient to retire bonds at maturity and interest as it falls due. The Grand Trunk Western's proportion is one-fifth in the absence of default of any of four other tenant companies. The bonds are First and Refunding Mortgage 4¼% Series "D" Sinking Fund Bonds due 1962 and the amount outstanding at 31st. December, 1943, is \$19,452,000.

C.N.R. PENSION PLANS:

Reserves have been set up against contracts in force under the 1935 contractual plan, but not against pensions conditionally accruing under that plan or prior non-contractual plans.

Mr. ROEBUCK: I notice you have there an investment in Canadian government merchant marine?

The CHAIRMAN: That is in another report.

Mr. ROEBUCK: That will grow rapidly in the future.

Mr. VAUGHAN: That all depends on how the government intends to handle the merchant marine. That amount there of \$800 is just directors' shares, Mr. Roebuck.

The CHAIRMAN: Page 26—companies comprising the Canadian National Railway System:

COMPANIES COMPRISING THE CANADIAN NATIONAL RAILWAY SYSTEM

CAPITAL STOCKS OWNED BY DOMINION OF CANADA

Company Number		
1	Canadian National Railway Company.....	\$ 18,000,000 00
2	The Canadian National Railways Securities Trust.....	336,680,462 71
		<u>\$354,680,462 71</u>

CAPITAL STOCKS OWNED BY SYSTEM OR PUBLIC

	Name of Issuing Company	Owned by Company Number	Capital Stock Issued	Owned by Public
3	Atlantic and St. Lawrence Railroad Company	1	\$ 6,302,340 00	\$ 246,540 00
4	The Bay of Quinte Railway Company....	24	1,395,000 00	
5	The Bessemer and Barry's Bay Railway Company	24	125,000 00	
6	*Brooksby Realty Company.....	30	2,000 00	
7	*Canada Atlantic Transit Company.....	1	219,000 00	
8	*Canada Atlantic Transit Company of U.S.	1	250,000 00	
9	The Canadian Express Company.....	1	1,768,800 00	
10	Canadian National Electric Railways....	24	1,750,000 00	
11	Canadian National Express Company...	25	1,000,000 00	
12	Canadian National Land Settlement Association	1		

COMPANIES COMPRISING THE CANADIAN NATIONAL RAILWAY SYSTEM—*Con.*

CAPITAL STOCKS OWNED BY SYSTEM OR PUBLIC—*Con.*

Company Number	Name of Issuing Company	Owned by Company Number	Capital Stock Issued	Owned by Public
13	*Canadian National Railways (France) ..	1	2,007,400 00	
14	*Canadian National Realities, Limited....	24	40,000 00	
15	Canadian National Rolling Stock Limited	1	50,000 00	
16	*Canadian National Steamship Company, Limited	48	15,000 00	
17	Canadian National Telegraph Company..	24	500,000 00	
18	*Canadian National Transportation, Limited	1	500 00	
19	The Canadian Northern Alberta Railway Company	24	3,000,000 00	
20	Canadian Northern Manitoba Railway Company	24	250,000 00	
21	The Canadian Northern Ontario Railway Company	24	10,000,000 00	
22	Canadian Northern Pacific Railway Company	24	25,000,000 00	
23	The Canadian Northern Quebec Railway Company	24	9,550,000 00	3,849,200 00
24	The Canadian Northern Railway Company	1	18,000,000 00	
25	The Canadian Northern Railway Express Company, Limited.....	24	1,000,000 00	
26	Canadian Northern Steamships, Limited.	24	2,000,000 00	
27	Canadian Northern System Terminals (Limited)	24	2,000,000 00	
28	Canadian Northern Western Railway Company	24	2,000,000 00	
29	Cannar Oils Limited.....	1	100 00	
30	*The Centmont Corporation.....	32	176,400 00	
31	The Central Ontario Railway.....	24	3,331,000 00	
32	Central Vermont Railway, Inc.....	1	10,000,000 00	
33	Central Vermont Terminal, Inc.....	32	5,000 00	
34	*Central Vermont Transit Corporation...	30	5,000 00	
35	*Central Vermont Warehouse, Inc.....	30	5,000 00	
36	The Champlain and St. Lawrence Railroad Company.....	1	50,000 00	
37	*Consolidated Land Corporation.....	51	64,000 00	
38	*Continental Realty & Holding Company..	14	90,000 00	
39	*The Dalhousie Navigation Company Limited	24	50,000 00	
40	*Duluth and Virginia Realty Company....	38	45,000 00	
41	Duluth, Rainy Lake & Winnipeg Railway Company	43	2,000,000 00	
42	Duluth, Winnipeg and Pacific Railroad Company	43	100,000 00	
43	Duluth, Winnipeg and Pacific Railway Company	24	3,100,000 00	
44	*Grand Trunk-Milwaukee Car Ferry Company	51	200,000 00	
45	The Grand Trunk Pacific Branch Lines Company	48	200,000 00	
46	*The Grand Trunk Pacific Development Company, Limited.....	48	3,000,000 00	
47	*Grand Trunk Pacific Dock Company, of Seattle	48	150,000 00	
48	The Grand Trunk Pacific Railway Company	1	24,940,200 00	
49	The Grand Trunk Pacific Saskatchewan Railway Company.....	48	20,000 00	
50	*Grand Trunk Pacific Terminal Elevator Company, (Limited).....	48	501,000 00	
51	Grand Trunk Western Railroad Company (Common)	1	20,000,000 00	
51	Grand Trunk Western Railroad Company (Preferred)	1	25,000,000 00	
52	The Great North Western Telegraph Company of Canada (Including \$331,500 00 held in escrow).....	17	373,625 00	6,925 00
53	The Halifax and South Western Railway Company	24	1,000,000 00	
54	*Industrial Land Company.....	51	1,000 00	
55	International Bridge Company.....	1	1,500,000 00	
56	The James Bay and Eastern Railway Company	24	125,000 00	

COMPANIES COMPRISING THE CANADIAN NATIONAL RAILWAY SYSTEM—*Conc.*CAPITAL STOCKS OWNED BY SYSTEM OR PUBLIC—*Conc.*

Company Number	Name of Issuing Company	Owned by Company Number	Capital Stock Issued	Owned by Public
57	The Lake Superior Terminals Company Limited	24	500,000 00	
58	The Maganetawan River Railway Company	1	30,000 00	
59	Manitoba Northern Railway Company..	1	500,000 00	
60	The Marmora Railway and Mining Company	24	128,600 00	
61	The Minnesota and Manitoba Railroad Company	24	400,000 00	
62	The Minnesota and Ontario Bridge Company	24	100,000 00	
63	Montreal and Province Line Railway Company	30	1,000,000 00	
64	*Montreal and Southern Counties Railway Company	1	500,000 00	165,600 00
65	The Montreal and Vermont Junction Railway Company.....	32	197,300 00	
66	*Montreal Fruit & Produce Terminal Company, Limited.....	1	500 00	
67	*The Montreal Stock Yards Company....	1	350,000 00	
68	*The Montreal Warehousing Company....	1	236,000 00	12,240 00
69	Mount Royal Tunnel and Terminal Company, Limited.....	24	5,000,000 00	
70	Muskegon Railway and Navigation Company	51	161,293 00	
71	*National Terminals of Canada, Limited	1	2,500 00	
72	National Transcontinental Railway Branch Lines Company.....	1	500 00	
73	*The Niagara, St. Catharines and Toronto Railway Company.....	24	925,000 00	
74	*The Niagara, St. Catharines and Toronto Navigation Company (Limited).....	73	100,000 00	
75	*The Oshawa Railway Company.....	1	40,000 00	
76	The Ottawa Terminals Railway Company	1	250,000 00	
77	The Pembroke Southern Railway Company	1	107,800 00	
78	*Prince George, Limited.....	1	10,000 00	
79	*Prince Rupert, Limited.....	1	10,000 00	
80	The Quebec and Lake St. John Railway Company	24	4,508,300 00	489,160 00
81	The Qu'Appelle, Long Lake and Saskatchewan Railroad and Steamboat Company	24	201,000 00	
82	*Rail & River Coal Company.....	1	2,000,000 00	
83	St. Boniface Western Land Company....	24	250,000 00	
84	The St. Charles and Huron River Railway Company.....	24	1,000 00	
85	St. Clair Tunnel Company.....	1	700,000 00	
86	The Stanstead, Shefford and Chambly Railroad Company.....	30	608,333 33	
87	*The Thousand Islands Railway Company	1	60,000 00	
88	†Trans-Canada Air Lines.....	1	4,600,000 00	
89	The United States and Canada Rail Road Company.....	1	219,400 00	475 00
90	Vermont and Province Line Railroad Company	1	200,000 00	
91	The Winnipeg Land Company Limited..	24	100,000 00	
			<u>\$208,254,891 33</u>	<u>\$ 4,770,140 00</u>

The Income Accounts of Companies indicated (*) are included in the System Income Account as "Separately Operated Properties."

†Treated as an Affiliated Company.

Mr. DUROCHER: How many companies were there in that item last year?

Mr. COOPER: 96.

Mr. DUROCHER: And I see there are only 91 this year.

Mr. COOPER: Yes.

Mr. ROEBUCK: I see under investments in affiliated companies, Trans-Canada Air Lines, \$4,600,000. Well now, there is a story there, isn't there; aren't you going to pass that out of your hands in the future, according to Mr. Howe's statement in the House?

Mr. VAUGHAN: Apparently we will have to divest ourselves of our interest in Trans-Canada Air Lines within one year after the close of the war, according to the announcement made by the Hon. Mr. Howe in the House of Commons a few days ago.

Mr. NICHOLSON: Will there be any chance of your obtaining anything like the value Mr. Symington placed on that organization yesterday when he said that he would not take \$25,000,000 for it?

Mr. VAUGHAN: We do not think it would be right for us to charge anything like that amount to the government.

The CHAIRMAN: On page 28—railway equipment:

RAILWAY EQUIPMENT						
	December 31, 1942	Additions During Year	Retirements During Year	Conversions During Year		December 31, 1943
				Added	Retired	
LOCOMOTIVES						
Passenger—Freight	2,070	29	24			2,075
Switching	434	1	1			434
Electric	24					24
Oil Electric	27					27
Total	2,555	30	25			2,560
FREIGHT EQUIPMENT						
Box Cars	62,879	2,238	143	2	462	64,514
Flat Cars	5,279		7		25	5,247
Stock Cars	3,069		2			3,067
Coal Cars	14,314	487	62			14,739
Tank Cars	148		1			147
Refrigerator Cars	3,091	100	18			3,173
Caboose Cars	1,563		31	150		1,682
Other Cars in Freight Service	10					10
Total	90,353	2,825	264	152	487	92,579
PASSENGER EQUIPMENT						
Coach Cars	1,196		1	15		1,210
Combination Cars	273					273
Dining Cars	93					93
Colonist Cars	179	9		3		191
Parlour Cars	65				7	58
Cafe Cars	30				2	28
Sleeping Cars	308		2		4	302
Tourist Cars	47					47
Baggage and Express Cars..	994	50	1	18	3	1,058
Postal Cars	49					49
Unit Cars	47		3			44
Other Cars in Passenger Service	62		1	1	6	56
Total	3,343	59	8	37	22	3,409
WORK EQUIPMENT						
Business Cars	62				1	61
All Other Cars in Company's Service	7,065	27	141	324	3	7,272
Total	7,127	27	141	324	4	7,333
FLOATING EQUIPMENT						
Car Ferries	9					9
Barges	4	1				5
Tugs	4					4
Work	4					4

Mr. HANSON (*Skeena*): When do we get to the hotels, does that come in here?

Mr. VAUGHAN: I take it that you want the individual hotels?

Mr. HANSON (*Skeena*): Yes.

Mr. COOPER: We have a statement on that which we will put on the record now.

HOTELS

Year 1943—	Revenues	Expenses	Taxes	Net
Charlottetown	\$ 150,209 33	\$ 125,715 83	\$ 5,111 76	\$ 19,381 74
*Pictou Lodge	810,512 30	2,335 33	250 87	†2,586 20
Nova Scotian	2,243,347 59	562,914 83	18,030 39	229,567 08
Chateau Laurier	209,841 75	1,711,454 64	78,305 27	453,587 68
Prince Arthur	751 50	186,492 18	6,043 46	17,306 11
*Minaki Lodge	570,520 67	7,485 42	35 71	†6,769 63
Fort Garry	172,229 07	459,001 91	29,402 16	82,116 60
Prince Edward	771,212 05	144,059 69	4,054 71	24,114 67
Macdonald	2,235 58	576,065 04	16,521 25	178,625 76
*Jasper Park Lodge.....	437,309 83	19,722 09	4,581 84	†22,068 35
Bessborough		377,403 12	3,148 49	56,758 22
	<u>\$5,368,169 67</u>	<u>\$4,172,650 08</u>	<u>\$ 165,485 91</u>	<u>\$1,030,033 68</u>
Year 1942—				
Charlottetown	106,872 89	107,061 33	4,899 00	†5,087 44
Pictou Lodge	17,776 21	20,378 01	316 00	†2,917 80
Nova Scotian	694,949 83	550,958 34	15,746 35	128,245 14
Chateau Laurier	2,095,889 30	1,651,869 19	64,587 72	379,432 39
Prince Arthur	196,849 39	185,401 47	6,476 11	4,971 81
Minaki Lodge	76,189 45	54,065 39	236 75	21,887 31
Fort Garry	473,706 60	418,808 43	29,566 84	25,331 33
Prince Edward	141,716 89	132,913 07	4,114 37	4,689 45
Macdonald	568,629 44	474,331 70	16,583 88	77,713 86
Jasper Park Lodge.....	187,435 05	245,827 58	6,152 27	†64,544 80
Bessborough	335,491 35	332,462 85	3,026 33	2 17
	<u>\$4,895,506 40</u>	<u>\$4,174,077 36</u>	<u>\$ 151,705 62</u>	<u>\$ 569,723 42</u>
Gain or Loss.....	\$ 472,663 27	\$ 1,427 28	†\$ 13,780 29	\$ 460,310 26

*Not operated during 1943.

†Denotes Loss.

Mr. EMMERSON: I notice that under tank cars you have one less tank car than you had last year. That is rather surprising to me because there has been so much movement of oil and gasoline. How can the railway get along with such a small number of tank cars?

Mr. VAUGHAN: Most of the oil companies have their own tank cars, Mr. Emmerson; that is the reason for it. This particular car here was retired or destroyed; that is the reason why we have one less car on the list this year than last.

Mr. WALTON: Those shown here are just for our own company use.

Mr. NICHOLSON: In connection with these postal cars, have you any information as to the number of postal cars the Canadian Pacific are operating? It seems to me the Canadian National is not getting its share of the long haul and the large volume of mail from Vancouver to Winnipeg, Toronto and Montreal.

Mr. VAUGHAN: We are not getting any through mail between the east and the west at the present time. I think it is fair to say that we have not got sufficient post office cars to handle it, but we hope to have them.

Mr. EMMERSON: What about these box cars?

Mr. VAUGHAN: C.P.R. do not give the number, they lump all their cars together—first-class, second-class, sleeper, baggage, dining, mail, express—they lump them all together and we do not know how many they have in the service.

Mr. NICHOLSON: Over a period of years have you reason to expect that you will get your share let us say when you have adequate equipment?

Mr. VAUGHAN: We have been pressing our case constantly with the post office department.

Mr. NICHOLSON: Does not a lot of the mail go in express box cars?

Mr. WALTON: There is a certain amount that goes that way, anything that has to be sorted must go in a postal car.

Mr. EMMERSON: Yes. The through mail such as from Halifax to Montreal.

Mr. WALTON: We do use closed cars for a considerable quantity of mail which does not have to be worked on en route.

Mr. VAUGHAN: The figure for 1943 that the government paid the Canadian National Railways for handling the mail was \$3,459,543. During the same period they paid the Canadian Pacific Railways \$3,957,000. I should say that our relationship with the post office department at the present time is quite satisfactory and I believe will lead to more business from them when we get more post office cars.

Mr. NICHOLSON: Considering the number of miles you operate it would not appear to me that you are getting your share of the post office revenue.

Mr. VAUGHAN: Under normal conditions, in normal times, providing we have the equipment available, we really should be given a larger share of the business.

Mr. NICHOLSON: You ought to have the additional equipment available.

Mr. VAUGHAN: We hope to.

The CHAIRMAN: Statistics of rail-line operation; transportation service; work service; employees and their compensation:—

STATISTICS OF RAIL-LINE OPERATION

TRANSPORTATION SERVICE				
TRAIN MILES	Freight		Passenger	
	1943	1942	1943	1942
Locomotive Drawn	44,871,187	42,720,204	22,815,551	21,463,841
Motor Unit Cars.....	.....	.....	1,004,401	1,134,055
Total	44,871,187	42,720,204	23,819,952	22,597,896
LOCOMOTIVE MILES				
Principal	44,894,433	42,742,362	22,815,571	21,463,841
Helper	2,505,669	2,222,053	498,520	437,459
Light	989,627	957,228	420,464	375,156
Train Switching	3,622,691	3,563,046	109,124	111,110
Yard Switching	15,708,505	14,762,717	1,401,288	1,243,366
Total	67,720,925	64,247,406	25,244,967	23,630,932
CAR MILES				
Loaded Freight Cars.....	1,191,596,101	1,138,327,325	380,209	788,438
Empty Freight Cars.....	515,077,717	520,532,110	186,130	559,416
Passenger Coach and Combination Cars.....	7,873,984	8,995,757	87,575,672	73,967,659
Sleeping, Parlour and Observation Cars.....	648,991	1,365,054	55,837,555	50,442,371
Dining Cars	67,471	144,846	10,536,990	8,735,400
Other Cars	8,384,319	8,658,054	61,866,682	55,680,337
Motor Unit Cars.....	43,896,849	41,750,504	1,035,229	1,190,445
Caboose .....	.....	.....	1,477,859	1,408,413
Total	1,767,545,432	1,719,773,650	218,986,326	192,772,479
WORK SERVICE				
Locomotive Drawn	Train Miles		Locomotive Miles	
	1943	1942	1943	1942
Motor Unit Cars.....	1865,186	1,546,974	2,321,166	1,867,529
Total	1,865,186	1,547,104	2,321,166	1,867,659
			Car Miles	
			1943	1942
			3,279,290	3,577,566
			.....	57
			3,279,290	3,577,623

STANDING COMMITTEE

STATISTICS OF RAIL-LINE OPERATION—Continued

	1943	1942
Average mileage of road operated.....	23,494.31	23,494.22
<i>Ton-Miles—Train-Hours in Road Service—</i>		
Gross ton-miles of cars, contents and cabooses.....	78,902,107,402	73,256,924,142
Net ton-miles of freight (revenue and non-revenue).....	38,796,570,833	34,146,595,836
Train-hours in freight road service.....	3,005,447	2,750,961
<i>Revenue Traffic—</i>		
Tons of freight carried.....	80,426,781	71,545,237
Ton-miles—Revenue freight.....	36,326,990,666	31,729,325,493
Freight revenue.....	\$324,899,724	\$288,462,195
Passengers carried.....	34,500,731	30,363,290
Passenger-miles.....	3,618,808,393	2,707,890,246
Passenger revenue.....	\$66,891,034	\$48,297,258
<i>Average—</i>		
Miles per revenue ton.....	451.68	443.49
Miles per revenue passenger.....	104.89	89.18
Revenue per ton-mile.....	\$0.00894	\$0.00909
Revenue per passenger-mile.....	\$0.01848	\$0.01784
Revenue per ton.....	\$4.03970	\$4.03189
Revenue per passenger.....	\$1.93883	\$1.59065
<i>Average per Mile of Road—</i>		
Ton-miles—Revenue freight.....	1,540,070	1,345,174
Ton-miles—All freight.....	1,651,318	1,453,404
Passenger-miles—Revenue.....	154,029	115,258
Gross revenue.....	\$18,754.16	\$15,989.23
Gross expenses (including taxes, equipment, joint facility rents and pension appropriation).....	\$15,279.53	\$12,799.93
Net railway operating income.....	\$ 3,474.63	\$ 3,189.30

EMPLOYEES AND THEIR COMPENSATION

	1943	1942	Increase	% Increase
*Average number of employees.....	101,126	94,592	6,534	6.91
*Total payroll.....	\$195,555,045	\$177,042,773	\$18,512,272	10.46

*Includes railway, express and telegraph employees. Excludes hotel and subsidiary company employees.

Mr. ROEBUCK: I see the number of employees has gone up, to 101,000 from 94,000. That means that you have broken in a very large number of new people?

Mr. VAUGHAN: That is so.

Mr. ROEBUCK: I know this is a small matter perhaps but, coming on the train out of Toronto I have been on it several times now when the train is so inhumanly hot that if it were cows we would prosecute you for cruelty to animals. The train leaves the Union Station in Toronto coming this way in a positively inhuman condition.

Mr. WALTON: You are speaking of the afternoon train?

Mr. ROEBUCK: Yes.

Mr. VAUGHAN: If it is properly regulated that should not be.

Mr. ROEBUCK: I put it down to poor help.

A MEMBER: Are you sure you were not on a C.P.R. car?

Mr. ROEBUCK: For the purpose of this occasion we will say it was a C.P.R. car.

Mr. VAUGHAN: We will have to check up our cars to see that they are properly regulated. It may have been one of our cars or it may not. I do not know.

Mr. NICHOLSON: When your brief was presented to the Reconstruction Committee last year you reported that you had in May of 1943 an average of 73,000 employees and here you say you have 101,000, how do you account for the discrepancy?

Mr. WALTON: I think that is the figure for Canadian lines, only if I remember correctly.

Mr. VAUGHAN: That is the Canadian proportion. That would account for most of the difference.

The CHAIRMAN: Distribution of the dollar:

DISTRIBUTION OF THE DOLLAR

	Operating Revenue Dollar		Operating Expense Dollar	
	1943	1942	1943	1942
Labour	·4116	·4302	·5589	·5591
Fuel	·0902	·0875	·1225	·1138
Other Expenses	·2346	·2516	·3186	·3271
Total Operating Expenses	·7364	·7693	\$1 00	\$1 00
Available for Taxes and other Accounts..	·2636	·2307	—	—
Total	\$1 00	\$1 00	\$1 00	\$1 00
Maintenance of Way Accounts.....	·1528	·1535	·2074	·1995
Maintenance of Equipment Accounts....	·1642	·1904	·2230	·2475
Traffic Accounts	·0128	·0144	·0174	·0187
Transportation Accounts	·3619	·3716	·4915	·4831
Miscellaneous Accounts	·0122	·0107	·0166	·0138
General Accounts	·0325	·0287	·0441	·0374
Total Operating Expenses.....	·7364	·7693	\$1 00	\$1 00
Available for Taxes and other Accounts..	·2636	·2307	—	—
Total	\$1 00	\$1 00	\$1 00	\$1 00

Mr. McCULLOCH: We cannot change that.

OPERATED MILEAGE, DECEMBER 31, 1943

Territory	Mileage Owned by Constituent Companies				Mileage of Lines under Lease or Contract		Mileage of Trackage Rights				Total Operated Road Mileage				Spurs Sidings & Yard Tracks
	1st Main Track	2nd Main Track	3rd Main Track	4th Main Track	1st Main Track	2nd Main Track	3rd Main Track	4th & Other Main Tracks	1st Main Track	2nd Main Track	3rd Main Track	4th & Other Main Tracks			
	Miles	Miles	Miles	Miles	Miles	Miles	Miles	Miles	Miles	Miles	Miles	Miles	Miles		
Atlantic Region.....	2,986.76	50.87	—	—	6.41	82.95	—	—	3,076.12	50.87	—	—	928.23		
Central Region.....	7,124.66	719.11	16.04	10.81	353.13	27.85	2.13	4.10	7,505.64	751.72	18.17	14.91	2,734.57		
Western Region.....	11,091.01	86.24	—	—	378.22	64.07	—	—	11,533.30	113.64	—	—	2,551.03		
Grand Trunk Western Lines.	956.26	363.18	10.62	—	9.50	59.75	1.36	0.99	1,025.51	369.51	11.98	0.99	778.50		
Central Vermont Lines.....	237.90	0.63	—	—	125.18	58.73	—	—	421.81	33.41	—	—	157.83		
*Total Mileage.....	22,396.59	1,220.03	26.66	10.81	872.44	293.35	3.49	5.09	23,562.38	1,319.15	30.15	15.90	7,150.16		
Lines in Canada.....	20,987.00	855.65	16.04	10.81	565.43	170.48	2.13	4.10	21,722.91	911.11	18.17	14.91	6,052.97		
Lines in United States.....	1,409.59	364.38	10.62	—	307.01	122.87	1.36	0.99	1,839.47	408.04	11.98	0.99	1,097.19		

*Separately Operated Lines (Gasoline Electric and Electric) not included.

The VICE-CHAIRMAN: Is the small increase due to the lengthening of the sidings?

Mr. VAUGHAN: The sidings are not in here except in the last paragraph.

Mr. EMMERSON: That 928.23 is mostly due to the length of sidings.

Mr. VAUGHAN: Yes, increases in tracks in yards and extensions of the sidings.

Mr. EMMERSON: Would not the most of that be due to the new system used in certain sections?

Mr. VAUGHAN: You are referring to the centralized traffic control?

Mr. EMMERSON: Yes.

Mr. VAUGHAN: That did not increase the length of trackage to any extent, but we have put a lot of additional tracks in places like the Moncton yard and the Truro yard and Halifax yard and the Rockingham yard, and we have extended a great many sidings, lengthened them out so that they will take a full train.

Mr. EMMERSON: There were some large extensions on the sidings at the same time.

Mr. VAUGHAN: There was a rearrangement of some tracks in connection with the centralized traffic control.

Mr. McCULLOCH: I move, Mr. Chairman, that the report be adopted.

Mr. EMMERSON: I second that.

Motion agreed to.

The VICE-CHAIRMAN: Now we have the report of the Canadian National Steamships Limited at page 3.

Mr. VAUGHAN:

On behalf of the Directors, I beg to submit the Annual Report of Canadian National (West Indies) Steamships, Limited, for the calendar year 1943.

	1943	1942	Increase or Decrease	
Operating revenues.....	\$4,492,188 94	\$5,600,496 25	\$1,108,307 31	19.79%
Operating expenses.....	3,188,578 72	4,380,852 94	1,192,274 22	27.22%
Operating profit.....	<u>\$1,303,610 22</u>	<u>\$1,219,643 31</u>	<u>\$ 83,966 91</u>	

Details of the operating revenues and operating expenses are given in the accounting statements accompanying this report.

Out of the operating profit for the year there has been paid \$521,700 for bond interest and exchange, also \$343,072 for interest on Government Notes and Advances, leaving an income surplus for the year of \$438,837, which will be paid to the Government to be applied against interest arrears.

The operations of the Company were again affected in marked degree by wartime conditions. The Directors record their thanks to the officers and employees for splendid services rendered under abnormal and trying conditions.

The VICE-CHAIRMAN: Are there any questions?

Mr. ROEBUCK: Does this mean that you have a decreased revenue—a decreased operating expense and an increased profit?

Mr. VAUGHAN: Yes.

Mr. ROEBUCK: That looks pretty good on its face.

The VICE-CHAIRMAN: Consolidated balance sheet.

CONSOLIDATED BALANCE SHEET

At 31st DECEMBER, 1943

ASSETS		LIABILITIES	
Investments:		Capital Stock:	
Vessels	\$5,805,632 17	Authorized and issued 400 Shares of \$100 each.....	\$ 40,000 00
Plant and Equipment.....	8,273 78	Funded Debt:	
Office Furniture and Fixtures.....	17,555 85	25 Year 5% Dominion of Canada Guaranteed Gold Bonds due in 1955.....	9,400,000 00
		Dominion of Canada Account:	
Current Assets:		Notes Payable Secured by Mortgages on Vessels	\$ 933,071 83
Cash in Banks.....	\$1,312,666 41	Advances:	
Special Deposits.....	7,600 00	Capital	\$ 549,096 08
Accounts Receivable.....	\$1,320,266 41	Working Capital.....	450,000 00
Agents	1,052,174 98	Deficits	5,059,960 94
Inventories of Stores and Supplies.....	545,924 95	Interest Accrued Unpaid.....	6,059,057 02
Advances to Captains, Crews and Agents	20,366 78		138,419 83
Due from Underwriters.....	120,055 64		
Due from Insurance and Replacement Fund	73,576 37		
	235,987 56		7,130,548 68
Insurance and Replacement Fund.....		Current Liabilities:	
Discount on Capital Stock.....		Dominion of Canada.....	\$ 781,910 22
Unadjusted Debits.....		Accounts Payable.....	1,713,279 25
		Interest Matured Unpaid.....	7,600 00
		Unmatured Interest Accrued.....	156,666 67
		Passage Money paid in Advance.....	24,930 72
			2,684,386 86
			77,233 34
			192,630 48
			2,526,552 40
			2,955,729 46
			9,341,448 26
			\$15,665,632 96

NOTE.—A reserve has been provided for pension contracts in force under the 1935 contractual plan, but not for pensions conditionally accruing.

T. H. COOPER,
Comptroller.

CERTIFICATE OF AUDITORS

We have examined the books and records of the Canadian National (West Indies) Steamships, Limited and Subsidiary Companies for the year ended the 31st December, 1943, and we certify that, in our opinion, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the affairs of the Steamships as at the 31st December, 1943, and that the relative Income Account for the year ended the 31st December, 1943, is correctly stated.

GEORGE A. TOUCHE & CO.,
Chartered Accountants.

10th March, 1944.

Mr. HANSON (*Skeena*): How many boats did you operate last year?

Mr. VAUGHAN: We have not shown the number of boats in here or their routes. They are operated really under the control of the navy. We, of course, find our own cargoes and do the actual operation of the boats, but the routes they travel are specified by the navy. We have up to the present time in the West Indian trade something in the neighbourhood of, I think, a dozen boats of which, six are Park Steamship Company boats which were built by the government and which were given to us on the same basis as they are given to the other steamship companies. We get a small management fee for handling those boats and commission on the freight.

Mr. EMMERSON: With regard to accounts receivable, there seems to be a large amount; why should that be so?

Mr. VAUGHAN: We can give you particulars of that, I think.

Mr. ROEBUCK: Is \$1,000,000 high in a \$15,000,000 take?

Mr. NICHOLSON: The government is pretty slow in paying sometimes I guess.

Mr. VAUGHAN: I may say in response to that that a large amount of that—about \$710,000—is owed by the Department of National Defence for use of the hospital ship *Lady Nelson* and the *Lady Rodney*—the two *Lady* boats which are chartered by the government.

Mr. NICHOLSON: The account should be all right, I suppose.

The VICE-CHAIRMAN: And the last statement is Consolidated income account. Are there any questions on that?

CONSOLIDATED INCOME ACCOUNT

	1943	1942
<i>Operating Revenue—</i>		
Freight	\$3,503,027 22	\$4,561,640 65
Passenger	13,295 52	299,799 47
Miscellaneous	112,282 25	136,086 63
Subsidies	172,770 00	192,520 40
Charter	690,813 95	410,449 10
Total.....	\$4,492,188 94	\$5,600,496 25
<i>Operating Expenses—</i>		
Closed voyages.....	\$2,740,371 98	\$4,075,597 83
Depreciation on vessels.....	239,362 63	160,633 57
Management and office salaries.....	99,191 17	103,654 17
Pensions	81,470 68	34 15
Other expenses.....	28,182 26	41,001 52
Total.....	\$3,188,578 72	\$4,380,852 94
Operating profit.....	\$1,303,610 22	\$1,219,643 31
Interest on bonds held by public.....	470,000 00	470,000 00
Exchange on U.S. funds.....	51,700 00	51,700 00
Amortization of discount on bonds.....	.....	77,362 00
Interest on government notes and advances.....	343,072 94	346,701 38
Surplus.....	\$ 438,837 28	\$ 273,879 93

Mr. HANSON (*Skeena*): I move the adoption of the report.

Mr. McCULLOCH: I second the motion.

Motion agreed to.

The VICE-CHAIRMAN: The committee will adjourn until 4 o'clock to-morrow afternoon.

The committee adjourned to meet Wednesday, March 29th at 4 o'clock p.m.

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Canada, Railways and Shipping,
" Standing Committee, 1944
(SESSION 1944

HOUSE OF COMMONS)

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(STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government)

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

Consideration of

Canadian National Railways and Steamships Budget (1944),
Canadian National Railways Securities Trust, 1943,
Items 387, 388, 408 and 409 of the Estimates for 1944-45,
Auditors' Report (George A. Touche and Company, 1943).

WEDNESDAY, MARCH 29, 1944

WITNESSES:

Mr. R. C. Vaughan, Chairman of Board of Directors and President, Canadian National Railways,

Mr. N. B. Walton, Executive Vice-President, Operation and Construction Departments, Canadian National Railways,

Mr. T. H. Cooper, Comptroller, Canadian National Railways and T.C.A.,

Mr. O. A. Matthews, of George A. Touche & Co., Auditors.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1944



MINUTES OF PROCEEDINGS

WEDNESDAY, March 29, 1944.

(5)

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government met this day at 4 o'clock. Mr. J. P. Howden, the Chairman, presided.

Members present: Messrs. Donnelly, Emmerson, Hanson (*Skeena*), Harris (*Danforth*), Howden, McCulloch, Maybank, Michaud, Nicholson, Parent, Roebuck, and Sanderson (12).

Mr. R. C. Vaughan, Chairman of the Board of Directors and President of the Canadian National Railways was recalled.

With the consent of the members, the Committee reverted to the Canadian National Annual Report and Mr. Harris filed a series of eight questions. Mr. T. H. Cooper being recalled supplied forthwith replies to numbers 1, 5 and 8. (*See minutes of evidence to this day's.*)

Mr. Vaughan agreed to forward at a later date answers to the remaining five questions for the information of each member of the Committee.

The Committee then proceeded to consider the Canadian National Railways and Canadian National (West Indies) Steamships Limited Financial Budget for the year 1944. Witness was interrogated and on motion of Mr. McCulloch, this budget was adopted as presented.

The Canadian National Railways Securities Trust Annual Report for 1943 was presented and adopted on motion of Mr. Maybank.

The following items of the Estimates for the year 1944-45 were considered, namely:—

Vote No. 387—Maritime Freight Rates Act—Canadian National Railways	\$3,500,000.00
Vote No. 388—Maritime Freight Rates Act—Railways other than Canadian National.....	900,000.00
Vote No. 408—Canadian National (West Indies) Steamships Limited, capital advances.....	20,000.00
Vote No. 409—Prince Edward Island Car Ferry and Terminals—Deficit 1944	564,200.00

On motion of Mr. Donnelly, the above-mentioned items were approved.

Messrs. Vaughan, Cooper, Walton were retired.

Mr. Vaughan thanked the members of the Committee for the kindness afforded him and his assistants in the course of his deposition.

Mr. G. A. Matthews, of George A. Touche & Company, auditors, was called. He read the Canadian National Railways System Auditors' Report for 1943, and following his examination, the said report was approved on motion of Mr. Roebuck.

Mr. Matthews was retired.

The Chairman expressed the appreciation of the members of the Committee to the officials of Trans-Canada Air Lines, Canadian National Railways, Department of Transport and to Mr. Matthews.

At 5.45 p.m., the Committee adjourned at the call of the Chair.

ANTONIO PLOUFFE,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

March 29, 1944.

The Standing Committee on Railways and Shipping met this day at 4 o'clock p.m. The Chairman, Mr. J. P. Howden, presided.

The CHAIRMAN: I see that the committee made good headway in the chairman's absence last night, for which I am very glad. I believe that the report of the Canadian National Railways was dealt with last night; but one member of the committee, Mr. Harris, has a matter to put before the committee in connection with the Canadian National Railways report. I think it would be the wish of the committee that we ask Mr. Harris to proceed now. Then we shall go ahead with something else.

Mr. HARRIS: Thank you very much, Mr. Chairman. The expedition and despatch with which you disposed of the Canadian National Railways report is something which might receive commendation in some quarters and perhaps not so much in others. Since the inception of this committee, I do not know when a chairman was able to get through such a gigantic task with such speed. Your kindness in allowing me to ask one or two questions is greatly appreciated, sir, and I assure you that in the answers to the questions I am going to ask, the work of the House of Commons will be expedited as well. Otherwise these questions would have gone on the order paper and cluttered up the work in another place. Before asking these questions, I should like to ask first for a breakdown of the refunding measure, which is on the order paper of March 28, item number 12, "to provide for the refunding of matured, maturing and callable financial obligations of the Canadian National Railways and for the issue of securities guaranteed by the Dominion of Canada in respect of such refunding to an aggregate principal amount not exceeding \$200,000,000." We understand pretty well what they are, but it would facilitate matters if the officers here could tell us more precisely what securities, what maturities and callable obligations are being refunded. That is the first question.

Mr. VAUGHAN: All right. Mr. Cooper will give you that.

Mr. COOPER: In 1944 there is an issue of Canadian National 3 per cent nine-year bonds, maturing May 1, 1944, for \$35,000,000. There is an issue of 2 per cent, seven-year bonds, which matured on February 1, 1944, of \$15,500,000. There is an issue of 5 per cent Canadian National forty-year bonds which are callable in 1944, amounting to \$56,704,000; a total of \$107,204,000. In 1945 we have no maturities. In 1946 we have the Canadian Northern 6½ per cent sinking fund bonds due on July 1, 1946, \$23,754,000 and Canadian National Railway 2¼ per cent, seven-year bonds which mature January 15, 1946, \$15,000,000; a total of \$38,754,000. There are no maturities in 1947 nor in 1948. So that total maturities in the next five years, including 1944, amount to \$145,958,000.

Mr. DONNELLY: There was one issue you referred to which is not due but is callable.

Mr. COOPER: Yes.

Mr. DONNELLY: What is that? When is that due?

Mr. COOPER: The issue is Canadian National Railways 5 per cent, forty-year guaranteed bonds.

Mr. DONNELLY: When is that due?

Mr. COOPER: The date of maturity is July 1, 1969, but it is callable in 1944. We can call it. If we call it, we have to pay a premium of 5 per cent. It has not been decided yet whether it will be called or not. So that, Mr. Harris, the maturities in the next five years amount to \$145,000,000. In 1938 we had a Refunding Act of \$200,000,000, and of that we have used up to the end of 1943 about \$150,000,000.

Mr. HARRIS: Have you still power to negotiate on the balance of the 1938 Act, the \$750,000,000 balance, or is that out?

Mr. COOPER: There is approximately a \$50,000,000 balance, yes.

Mr. HARRIS: The total excess that you have, by way of legislation over and above what you actually require, is \$50,000,000 from the 1938 Act and \$55,000,000 when this resolution goes through. Is that right?

Mr. COOPER: I am sorry, but I did not quite catch that.

Mr. HARRIS: Did I understand you to say that you have about \$50,000,000 left over from the 1938 authority?

Mr. COOPER: Yes.

Mr. HARRIS: Is that still in your hands, that authority?

Mr. COOPER: Yes.

Mr. HARRIS: Then when this bill goes through, you will also have an additional \$55,000,000, in addition to the 1938 \$50,000,000?

Mr. COOPER: We shall have \$50,000,000 under the 1938 Act and we shall have \$200,000,000 under the 1944 Act.

Mr. HARRIS: The \$200,000,000 will be dissipated to the extent of \$145,000,000. You have that earmarked now?

Mr. COOPER: Well, some of the 1944 maturities will be taken care of under the 1938 Act.

Mr. HARRIS: Some will be taken care of under the 1938 Act?

Mr. COOPER: Yes.

Mr. HARRIS: So that you are really projected through for the next six or seven years?

Mr. COOPER: Yes.

Mr. HARRIS: Mr. Chairman, I should like to make this deposition. The railway company, in my opinion, should be free to negotiate some of these securities which are carrying very heavy rates of interest, where perhaps the holder of the security is desirous of liquidating the said security. At the same time I make this observation in the case of securities that probably have not got the backing which would be considered 100 per cent. The officers are charged with the responsibility of making the best possible deal on such securities. What I am thinking about is that undoubtedly some of these securities are on parts of the railway lines or on parts of the railway assets which themselves are not a 100 per cent asset. They probably carry, on the other side of the books, liabilities. If they were put through the wringer, as the expression is, they might be bought back in at a much lower price. I think the company ought to be free to negotiate and clean up as many as possible of those 5 per cent and 6 per cent—some more than 6 per cent—securities that presently appear on your balance sheet.

Mr. VAUGHAN: That, of course, is very good advice, and we are proceeding as opportunity offers along those lines. We have up now with the Department of Finance the question of refunding that \$56,000,000 issue. It was not callable until 1944, but it can be called in any six-month period. We are now negotiating a rate of interest to refund that, but we have not arrived at a definite conclusion as yet.

Mr. HARRIS: While these rates are so low.

Mr. VAUGHAN: That is quite true.

Mr. HARRIS: I would say, speaking personally, that now is the time to clean up a lot of them.

Mr. VAUGHAN: Yes.

Mr. HARRIS: Mr. Chairman, the other questions I had in mind were questions which would ordinarily have gone on the order paper. The other chamber, as we all know, has a very heavy agenda. The source of the information is in those who appear before us now. I will run over the questions, and with regard to any of them which the officers presently here are able to answer without too much research, I would appreciate having those answers go on the record. It will avoid the necessity of cluttering up the work of the other chamber.

I have already supplied the management with a copy of the questions, and I will run over them rather hurriedly, or in order to save time, if you wish it, I will hand the copy in to the reporter.

Mr. VAUGHAN: I would suggest that you give a copy to the reporter. We have one here. There are some of the questions we can answer here and we shall be glad to do so. The others would take a long time to prepare.

Mr. HARRIS: Yes, I understand. If that meets with your approval, Mr. Chairman, I shall be glad to follow that procedure.

The CHAIRMAN: Quite so.

Mr. ROEBUCK: What is the general tenor of the questions?

Mr. HARRIS: The general tenor of the questions, Mr. Chairman, is as to what railway systems or companies were taken over by the C.N.R. and at what date did the C.N.R. commence operations, what amount was paid in cash, in guaranteed bonds and so on. That is the tenor of the questions. It is a matter of expediting it. If the chairman felt disposed to rule it out of order, it would mean putting them on the order paper.

Hon. Mr. MICHAUD: I agree with the procedure suggested.

The CHAIRMAN: I think that is a good idea. I think it is a good idea to get it cleared up.

Mr. HARRIS: Then I will hand a copy of the questions to the reporter.

Mr. HANSON (Skeena): Will the answers appear in the record too, Mr. Chairman?

The CHAIRMAN: Mr. Cooper is going to read the questions and answers.

(The questions referred to by Mr. Harris follow.)

1. At what date did the Canadian National Railways commence operations?
2. What railway systems or companies were taken over by the C.N.R. and what other subsidiary companies, steamship, hotels, telegraphs, etc. were taken over?
3. What was the total cost to the Canadian National Railway system in each case?
4. What amount was paid in each case—
 - (a) in cash
 - (b) in guaranteed bonds
 and (c) otherwise?
5. What is the total amount advanced to the Canadian National by the government of Canada—
 - (a) in cash out of Consolidated Revenue Fund,
 - (b) by special appropriation bills,

and (c) by new securities, such as guaranteed bonds, debentures, stocks, etc.,

from date of inception to December 31, 1942?

6. What were the deficits or surpluses each year to 1942—

(a) on operation,

and (b) after paying interest and other charges?

7. What was the total mileage of railway of all the companies taken over by the Canadian National system?

8. What was the total mileage of railway under operation by the Canadian National system on December 31, 1942?

Mr. COOPER: There are eight questions, and I think we can give now the answers to three of them. As to the remaining questions, it would take a considerable time to develop the full answers required. Question 1 is, "At what date did the Canadian National Railways commence operations?" I think the answer to that would be January 1, 1923.

Question No. 5 is "What is the total amount advanced to the Canadian National by the government of Canada (a) in cash out of Consolidated Revenue Fund; (b) by special appropriation bills, and (c) by new securities, such as guaranteed bonds, debentures, stocks, etc., from date of inception to December 31, 1942."

The information necessary to answer that question is given as an appendix to the public accounts in accordance with the Canadian National Railways Capital Revision Act of 1937.

Question 8 is, "What was the total mileage of railway under operation by the Canadian National system on December 31, 1942?" The answer given in our report for 1942 is 23,560 miles.

Hon. Mr. MICHAUD: That answers three of the eight questions.

The CHAIRMAN: Mr. Harris, I understand you would like the answers to the other questions to go on the record?

Mr. HARRIS: I think it would expedite things, and save a lot of fussing elsewhere.

The CHAIRMAN: Is that possible? Can we get the answers to these other questions so as to incorporate them in this record?

Mr. HARRIS: I will amend the questions in any way you say, in order to avoid a lot of unnecessary research.

Mr. COOPER: It will undoubtedly take considerable time to prepare the answers to these other questions. I think all we can do at the present time is to promise to do our best.

Mr. HARRIS: You can generalize.

Hon. Mr. MICHAUD: You would be satisfied with having the questions as soon as possible, Mr. Harris?

Mr. HARRIS: Yes. I think it is much easier to do it here than have the minister do it in the other chamber.

Hon. Mr. MICHAUD: All right.

Mr. McCULLOCH: Will that hold up the printing of the record?

The CHAIRMAN: It might go in as an appendix, I suppose. I do not know.

Hon. Mr. MICHAUD: No. It would hold up the printing of the proceedings of this committee if we had to wait until the replies were ready in order to complete the record. We shall have the questions on the record. You will be satisfied to have the answers whenever they are ready, Mr. Harris?

Mr. HARRIS: Yes.

Mr. DONNELLY: You could send a copy of the questions and answers to each member of the committee.

Hon. Mr. MICHAUD: All right. That is agreed.

The CHAIRMAN: All right, Mr. Vaughan. Shall we proceed with the budget?

Mr. VAUGHAN: Very well.

CANADIAN NATIONAL RAILWAYS

Summary of Financial Requirements for the Year 1943 Compared with Amounts Budgeted, also Proposed Budget for the Year 1944.

	Page No.	1943 Budget	1943 Actual	1944 Budget
<i>Operating Budget</i>				
Cash Surplus	2	\$25,000,000	\$35,639,412	\$30,000,000

Mr. HARRIS: Is it your purpose to question as we go along, Mr. Chairman, or shall we come back?

Mr. VAUGHAN: Just as you wish.

The CHAIRMAN: Mr. Vaughan is prepared to answer any questions.

Mr. HARRIS: I should like to know what the management proposes to do with their surplus in the year 1944?

Mr. VAUGHAN: We would hand it back to the government, the same as we have done each year that we have had a surplus.

The CHAIRMAN: Gentlemen, I may say that I am a little bit deaf. It does not matter about me, but I fancy that other members of the committee are having difficulty in hearing the proceedings. I should like to appeal to the members to speak a little louder, if possible.

Mr. ROEBUCK: There must be some comment to be made in a general way, I should fancy when we see a budget of \$25,000,000 for 1943 and an actual expenditure of \$35,000,000.

Mr. McCULLOCH: No. That is gain.

Mr. VAUGHAN: That is \$15,000,000 better than we budgeted for.

Mr. ROEBUCK: Perhaps we had better wait until we get the whole thing. We will understand it better then.

Hon. Mr. MICHAUD: Yes.

Mr. ROEBUCK: All right.

The CHAIRMAN: Go ahead then, Mr. Vaughan.

Mr. VAUGHAN: Very well. Continuing:

	Page No.	1943 Budget	1943 Actual	1944 Budget
<i>Capital Budget</i>				
Additions and Betterments	3	12,200,000	\$ 4,103,569	\$18,611,500

Mr. HARRIS: On that question, how much of that will be indented from the Department of Munitions and Supply?

Mr. VAUGHAN: That is a very difficult question to answer.

Mr. HARRIS: How much was indented for the year 1943?

Mr. VAUGHAN: Have you any figures to show what amount of money we collected from the Department of Munitions and Supply in 1943?

Mr. HARRIS: I understand they are making box cars for you.

Hon. Mr. MICHAUD: No.

Mr. VAUGHAN: None of the capital budget of course, is collected from the Department of Munitions and Supply.

Hon. Mr. MICHAUD: The Department of Munitions and Supply does not make any box cars for us.

Mr. VAUGHAN: No.

Mr. HARRIS: I am sorry. I cannot hear that.

Mr. VAUGHAN: The Department of Munitions and Supply has nothing to do with our equipment or our box cars.

Mr. HARRIS: Quite so: But they are doing work for you now.

Hon. Mr. MICHAUD: No.

Mr. VAUGHAN: No, I do not think the Department of Munitions and Supply are doing any work for us. We are doing plenty of work for them.

Mr. HARRIS: Right. They are not doing any for you?

Mr. VAUGHAN: No.

Mr. HARRIS: Do you indent on them for any equipment of any consequence?

Mr. VAUGHAN: No, sir.

Mr. HARRIS: There is some confusion there.

Hon. Mr. MICHAUD: Except for priorities.

Mr. HARRIS: I do not mean that. I mean the actual article itself.

Hon. Mr. MICHAUD: No.

Mr. WALTON: There is the munition works.

Mr. VAUGHAN: There is a company, Mr. Harris, known as National Railway Munitions at Point St. Charles which is purely a government-owned company.

Mr. HARRIS: Right.

Mr. VAUGHAN: Which we operate on a free basis for them.

Mr. HARRIS: Yes. That company is doing work for the Canadian National Railways system as well as for the Department of Munitions and Supply?

Mr. VAUGHAN: No, sir. It is not doing any work for the Canadian National Railways. On the other hand, the Canadian National Railways is doing work in its shops for the Department of Munitions and Supply.

Mr. HARRIS: Yes. I understand that.

Mr. NICHOLSON: Were the men employed in this munitions branch included in the total number of employees you gave yesterday?

Mr. VAUGHAN: No.

Mr. NICHOLSON: You have some of your regular employees transferred?

Mr. VAUGHAN: Some went over to the National Railway Munitions, when the plant started.

Mr. NICHOLSON: You protect their seniority, do you not?

Mr. VAUGHAN: Yes.

Mr. NICHOLSON: Have you any idea as to how many that would be?

Mr. VAUGHAN: I would say there would probably be 100 of our men there.

Mr. WALTON: Yes; between 100 and 120.

Mr. NICHOLSON: Of your permanent employees.

Mr. WALTON: On loan to munitions.

Mr. HARRIS: There are some crown companies producing box cars and some other railway equipment at the present time.

Mr. VAUGHAN: I do not think so. The only companies producing railway equipment are the Eastern Car Company of New Glasgow, which is owned by the Dominion Steel and Coal Company; the Canadian Car and Foundry Company, and the National Steel Car Company at Hamilton. The producers of locomotives are the Canadian Locomotive Works at Kingston, the Montreal

Locomotive Works at Montreal, none of which have any connection with the crown except to the extent that they may be doing other work for the crown.

Mr. HARRIS: I will reserve any further questions I may have.

The CHAIRMAN: Will you proceed, Mr. Vaughan.

Mr. VAUGHAN: Very well.

	Page No.	1943 Budget	1943 Actual	1944 Budget
Acquisition of Securities	3	\$ 1,294,300	\$ 235,735	\$ 1,921,000
Retirement of Maturing Capital Obligations, including Sinking Fund and Equipment Principal Payments	4	9,552,000	9,353,597	9,117,000
Less—available from Reserves for Depreciation and Debt Discount Amortization...		17,000,000	19,570,228	19,100,000
		\$ 6,046,300	\$ 5,877,327	\$10,549,500
New Equipment—Hire-purchase agreement with Dominion Government	5	43,916,394	18,852,007	41,597,554
Total Capital Budget		\$49,962,694	\$12,974,680	\$52,147,054
<i>Statutory Authorization</i>				
Trans-Canada Air Lines Capital Stock.....		\$ 400,000	.....	\$ 400,000

Mr. HARRIS: Would the president make any deposition as to the recommendation made by the auditors with regard to setting up a depreciation account? That is found in the auditors' statement, probably. It deposes there that the management feels disposed to leave it until after the war and when peace comes.

Mr. VAUGHAN: You are referring, I presume, to the depreciation on fixed property.

Mr. HARRIS: Right—capital property.

Mr. VAUGHAN: That has not been recommended by our auditors. We covered that pretty fully in the annual report last year and there has been no change since that time. We are not accruing at the present time depreciation on fixed property; that is being taken care of by retirement accounting.

Mr. HARRIS: The auditors recommend, "That the adoption by the Canadian lines of depreciation accounting for road properties, under any specific plan, be made contingent upon the establishment by the dominion government of uniform accounting regulations, of a mandatory character, applicable to Canadian railways. It is our considered opinion that such governmental regulations, to which we have made reference for several years, should be established as early as possible in the post-war period."

Peace may not be declared for ten years. In the meantime you have high earnings and you have an opportunity to establish this reserve account. How would you interpret that considered opinion, "as early as possible in the post-war period"? It is not very definite.

Mr. VAUGHAN: That would require a great deal of valuation, Mr. Harris.

Mr. HARRIS: Quite. I understand.

Mr. VAUGHAN: We have not got all our individual properties valuated. The American railroads spent two or three hundred million dollars in doing that, and although they had authority to put in depreciation on that account for many years they did not do it.

Mr. HARRIS: May I interrupt you there? Under the Interstate Commerce Commission they have been doing that for thirty years?

Mr. VAUGHAN: No. They have had depreciation on equipment but not depreciation on fixed property.

Mr. HARRIS: We even have not got that to the same extent as they have?

Mr. VAUGHAN: They have had authority, as I say, to put into effect that depreciation on fixed property for a good many years and had valuations to do that but they did not do it until this tax situation came along. That is considered by a good many in the United States as what they call expediency accounting. I think that is something we will consider immediately after the war when we have the men and facilities available to make a valuation of our property, and we will then consider what is the desirable thing to do.

Mr. HARRIS: Just to close this, Mr. Chairman, I wonder if it would be asking too much that when the statements come down another year a little bit more be said about the policy with regard to depreciation, not only on equipment, but on capital structure also?

Mr. VAUGHAN: I do not know whether you had the opportunity to read our 1942 report but it is very fully set out on page 2 of our 1942 report as to what our policy is and the reason for it.

Mr. HARRIS: What success have you had in pursuing that policy? To my mind this clause kind of dampens the enthusiasm that was engendered in the 1942 report, this last sentence, "should be established as early as possible in the post-war period". That dismisses the 1942 report, as I view it.

Mr. VAUGHAN: I might read just for a moment, if you will permit me, Mr. Chairman and Mr. Harris, an extract from the 1942 report. It says:

A recent order of the commission, however, prescribes the adoption by United States railroads, effective January 1, 1943, of depreciation accounting for certain classes of fixed depreciable property including buildings, stations, shops, bridges, etc., but excluding the track structure (rails, fastenings, ties, ballast) which will remain on the retirement basis.

Mr. HARRIS: I understand that.

Mr. VAUGHAN:

This order will be followed by the United States lines of the system but it is not intended at this time to extend it to the Canadian lines of the system. The change constitutes an important departure from a long established practice and it seems advisable to wait until the experience of the United States carriers is available. In any event compilation of the data necessary to permit its adoption would involve a large amount of work on the part of the technical officers of the railway, and it is not reasonable that work of this nature should be undertaken at this time when there are more important things to be done.

Mr. HARRIS: Quite.

Mr. VAUGHAN: That is the way we left it.

Mr. HARRIS: I am quite in accord with that, but what dampened my enthusiasm was that they have shifted the position now from the experience of the United States lines to the position, "as early as possible in the post-war period". I agree with the 1942 report.

Mr. COOPER: In the auditors' report, Mr. Harris, they do not recommend the adoption by the Canadian National Railways of depreciation accounting on fixed property. What they do say is—I am reading at the foot of page 2—

In any event, we recommend that the adoption by the Canadian lines of depreciation accounting for road properties, under any specific plan, be made contingent upon the establishment by the dominion government of uniform accounting regulations, of a mandatory character, applicable to Canadian railways. It is our considered opinion that such governmental regulations, to which we have made reference for several years, should be established as early as possible in the post-war period.

I believe that what the auditors there are recommending is uniform accounting, and the adoption of the depreciation accounting should be contingent upon the adoption of uniform accounting.

Mr. HARRIS: I quite agree with that. What I did not like was that it should be established as early as possible in the post-war period. If you put a period after "several years" why the report is in order and we will meet the problem each year until we get somewhere on it.

Mr. VAUGHAN: That question of uniform accounting has been up for a great many years, but we have not been able as yet to make very much progress on it.

Mr. HARRIS: Quite, it is a big problem.

The CHAIRMAN: Proceed, Mr. Vaughan, please.

Mr. VAUGHAN: Total capital budget, 1943, \$49,962,694; 1943 actual \$12,974,680; 1944 budget, \$52,147,054. Statutory authorization, Trans-Canada Air Lines capital stock, \$400,000, 1944, \$400,000.

The next page is a comparative statement of net income results for the years 1943 and 1944 which is a breakdown of the first item on the first page of the statement I have just read. Would you like me to read this, Mr. Chairman?

The CHAIRMAN: It is up to the committee.

CANADIAN NATIONAL RAILWAYS

Comparative Statement of Net Income Results for Years 1943-1944

	1943 Budget	1943 Actual	1944 Budget
<i>Net Income Results</i>			
Operating Revenues, excluding 20% contribution, M.F.R. Act	\$395,025,000	\$435,783,047	\$417,140,000
Contribution from Government under Maritime Freight Rates Act (20%)	4,500,000	4,140,863	4,000,000
Government Share of Operating Account, P.E.I. Car Ferry and Terminals.....	475,000	692,045	560,000
Total Railway Operating Revenues.....	400,000,000	440,615,955	421,700,000
Railway Operating Expenses.....	311,500,000	324,475,670	333,200,000
Net Operating Revenue.....	88,500,000	116,140,285	88,500,000
Operating Ratio	77.88%	73.64%	79.01%
Revenue appropriated for Pension Reserve.....	—	19,069,000	—
Net Operating Revenue after appropriation for Pension Reserve	88,500,000	97,071,285	88,500,000
Other Income	12,932,000	11,768,829	10,351,000
Net Available for Interest.....	75,568,000	85,302,456	78,149,000
<i>Interest Charges</i>			
Interest due Public on Long Term Debt.....	31,268,000	30,998,196	28,191,000
Interest on Dominion Government Loans for Capital and Refunding.....	19,300,000	18,664,848	19,948,000
Total Interest Charges.....	50,568,000	49,663,044	48,149,000
Cash Surplus	\$ 25,000,000	\$ 35,639,412	\$ 30,000,000

NOTE: The 1944 Budget includes \$1,748,000 for Contribution to Deficit of I.C.R. & P.E.I. Provident Fund and \$100,000 for Contribution to Grand Trunk Railway of Canada Superannuation and Provident Fund Association.

(Page 2 carried).

Mr. VAUGHAN: The third sheet is a comparative statement of capital expenditures for the years 1943, 1944. That also is a breakdown of the figures I have given you previously.

CANADIAN NATIONAL RAILWAYS
Comparative Statement of Capital Expenditures
Years 1943-1944

	1943 Budget	1943 Actual	1944 Budget
Additions and Betterments			
Atlantic Region	\$ 1,369,263	\$ 607,834	\$ 1,281,529
Central Region	5,050,567	2,933,036	7,709,461
Western Region	3,548,526	721,821	2,691,719
Grand Trunk Western Railroad Company	363,279	26,010	909,052
Central Vermont Railway, Inc.	124,909	12,244	118,854
Montreal Terminal Construction	363,568	258,454	313,000
P.E.I. Car Ferry and Terminals	35,700	6,637	48,700
Subsidiary Companies	146,814	165,529	317,255
General, including Additions and Betterments to equipment	2,715,268	885,195	3,381,181
	12,717,894	5,261,214	16,770,751
Equipment purchases	425,968	296,536	2,874,849
Equipment retirements	943,862	1,454,181	1,034,100
Total Additions and Betterments less Retirements	\$ 12,200,000	\$ 4,103,569	\$ 18,611,500
Acquisition of Securities			
<i>Toronto Terminals Railway</i>			
Joint with Canadian Pacific Railway Co. general Additions and Betterments — C.N.R. proportion 50%	\$ 100,000	.....	\$ 100,000
<i>Northern Alberta Railways</i>			
Joint with Canadian Pacific Railway Co. general Additions and Betterments — C.N.R. proportion 50%	1,050,000	250,000	500,000
Debt redemption—C.N.R. proportion 50%...	.....	.....	1,210,000
<i>Chicago and Western Indiana Railroad</i>			
Advances under agreement of March 1/36 ..	144,300	142,863	143,000
<i>Detroit & Toledo Shore Line Railroad</i>			
Reduction in ledger value of Capital Stock, by application of amounts of special dividends received .....	.....	225,000	42,000
<i>Atlantic and St. Lawrence Railroad</i>			
Purchase of Capital Stock .....	.....	67,872	10,000
	\$ 1,294,300	\$ 235,735	\$ 1,921,000

The CHAIRMAN: Carried?

Mr. HARRIS: Before you carry that page will \$100,000 be sufficient for the betterment in the Toronto Terminal Railways due to the big development going on in the industrial area of the harbour?

Mr. VAUGHAN: That is the figure that has been put in by the management of the Toronto Terminal Railway as what they require for the year 1944. It was gone over very carefully by our engineers in Montreal and the amount was approved of as being a satisfactory amount.

Mr. DONNELLY: \$200,000; this is 50 per cent.

Mr. HARRIS: Just for a moment I should like to make a statement and leave it on the record. When the plans were first developed about 1917 at the easterly end of the Toronto terminals development, namely the Don river, there was a plan made and projected for a bridge across into the sorting yards from the westerly side of the Don to the easterly side. Meanwhile there was a temporary structure on the right of way of what is known as Keating street. They used the temporary structure in the meantime, and that structure which was surveyed and supposed to have gone into the sorting yards in 1917 has never yet been built. We have been through difficult periods, we understand, but the net result of the whole matter is that we have been using a temporary structure

with very considerable derailments, great delays in holding up traffic, ingress and egress to the properties to the north of Keating street, due to the fact that the structure was not put in place where it was first proposed.

Unfortunately in February of this year the Don river caught on fire due to oil from oil refineries in the neighbourhood. The hazard there is of tremendous proportions for the reason that it is surrounded on all sides by oil refineries, the Imperial Oil, British American Oil, and McColl-Frontenac. If it had really got out of control the disaster would have been of great magnitude in that whole area. It more or less hinges on the fact that the original intention of the Toronto terminals was not carried out in making the proper approach to that sorting yard. I bring it to the attention of the management. \$100,000, of course, would not begin to repair and put that in.

Mr. VAUGHAN: No, that was not in contemplation.

Mr. HARRIS: It would not put it in proper condition. As a matter of fact, I think the cost to the Canadian National Railways of the fire that did happen there on the Don river will probably exceed even this figure here whereas if the 1917 proper plan had been put through that might have been averted. It is a question what was the cause of the fire. Some think it is from the dumping of the ash cans of the engines over the bridge structure. It is a problem as to what actually happened, but had conditions in Canada been such that that proper betterment had been put in at the time, apart from the inconvenience to the public due to them using the right of way of the street and using the old temporary structure, we would have had a job which would have facilitated the movement of freight in that area and at the same time have a proper betterment to the system there. I mention that now, Mr. Chairman, because in these days of rising revenues, and due to the importance of the work which is being carried on in that great industrial area, the management might feel disposed to give some consideration to carrying out their original plan. I might say in the sortation yard they find it necessary each morning to shunt their cars and use the street itself for the sortation of cars with the result that scores and scores of employees going to their work in the morning between the hours of seven and ten are held up. I do not want to reflect on the crews; they do the best they can to let traffic through but they are held up. There is a line-up there every morning. I have to traverse the same area four times a day when I am in Toronto so I know what I am talking about. It is all due to not carrying out the original sorting yard idea that was blueprinted and approved as far back as 1917. The next thing that is going to happen there in this sortation of cars on the main highway—and it is a main highway because it is a continuation of Fleet street—is that as sure as we are sitting here there is going to be a serious accident in that area. I bring that to your attention.

Mr. VAUGHAN: We will certainly look into it thoroughly. I do not know whether you have any reports on it, Mr. Walton?

Mr. WALTON: I have nothing on it at the moment. I might just add, of course, that the \$100,000 is purely the joint terminal expenditure apart from the separate railway expenditure in the terminal.

Mr. HARRIS: I quite understand that, but it was an opportunity to bring this to your attention.

Mr. NICHOLSON: I should like to ask the president what the plans are for construction in the western region this year. I have had some correspondence in connection with the building of a new station at Nut Mountain, Saskatchewan. This correspondence has extended over several years. Owing to the shortage of material and labour the question of building a station and living quarters has been postponed from time to time. My information now is that the house the

agent is living in is the only house in the community which is available for rent and it has been sold, and as happened on a previous occasion, the agent's family will have to live in the nearest town. Now that materials are not quite so tight and there are more men available in the building trades what is the policy in connection with new building in 1944?

Mr. VAUGHAN: Is there anything in our budget for that?

Mr. WALTON: I was just looking to see if there is a separate item.

Mr. VAUGHAN: I remember we heard from you and we asked for a report from our vice-president in the west. I do not recall what the reply was or whether it was put in the budget.

Mr. NICHOLSON: What is your general policy?

Mr. VAUGHAN: Our general policy during the war is not to spend any money that will use material that is needed for war purposes unless it is absolutely necessary.

Mr. NICHOLSON: How much of these items for additions and betterments will go toward providing new stations and living quarters?

Mr. WALTON: There are very few items for new stations this year.

Mr. NICHOLSON: There are very few?

Mr. WALTON: Yes.

Mr. NICHOLSON: It has been pointed out that the C.P.R. were able to build a new station in the same area where the same situation exists as far as material and lumber are concerned. I have difficulty in explaining why the C.P.R. can find new materials and the C.N.R. cannot.

Mr. VAUGHAN: What was the name of that station?

Mr. NICHOLSON: Nut Mountain.

Mr. VAUGHAN: I remember the correspondence.

Mr. DONNELLY: Has there been a station there before?

Mr. NICHOLSON: Just a small box car arrangement, and the information I have is there is a lot of business.

Mr. WALTON: It is quite a grain shipping point.

Mr. VAUGHAN: I will take that up right away.

The CHAIRMAN: Carried. Next sheet.

Mr. ROEBUCK: Tell us what the additions and betterments to equipment are? Is that just cars?

Mr. VAUGHAN: That is cars and locomotives that we propose to order and have delivered during the year.

Mr. ROEBUCK: That is good news.

Mr. VAUGHAN: Locomotives, and various kinds of freight equipment, box cars, hopper cars.

Mr. DONNELLY: These general additions and betterments to the northern Alberta railway are just the same thing? You are not putting in a new railway line there?

Mr. VAUGHAN: No. We, as you know, have a joint interest in that line with the Canadian Pacific Railway.

Mr. DONNELLY: You are not extending your lines at all?

Mr. VAUGHAN: No.

Mr. EMMERSON: In the equipment for 1944 I see an item of twenty of the Mountain type locomotives. What difference is there between that type and the Northern. You had the Northern type in 1943?

Mr. VAUGHAN: The difference is in the wheel arrangement. The Northern type is 4-8-4 and the Mountain type is practically the same only it has got two less small wheels.

Mr. EMMERSON: Is it used for express or freight?

Mr. VAUGHAN: It is used for both. It is interchangeable for both freight or passenger. It is not quite as heavy a locomotive as the Northern type.

Mr. HARRIS: Mr. Chairman, is there any portion of this item "general, including additions and betterments to equipment, \$3,381,181," that might be applied to help the generally congested conditions in the city of Toronto or must that go through the Toronto terminals?

Mr. VAUGHAN: This item here which you refer to of \$3,381,181, additions and betterments to equipment, comprises a large number of things mostly new appliances for locomotives and cars to increase their efficiency.

Mr. HARRIS: What I am thinking about, Mr. Chairman, is this. As we all know, traffic is tremendous just at the present time. In the Union station at Toronto the service given by the employees is splendid. There is no complaint at all. They are doing the very best they can and are doing a wonderful job. They found it necessary to take out certain equipment that was in the station such as benches where people could rest while they were waiting on trains, on account of the congestion. The net result of that is that people find it necessary to stand in line waiting for their train to be placed on the track. There was one experience a year ago where people stood from 10.30 p.m. until 2.30 the next morning. That was March 8th of last year. It was a condition that the railway could not help because there had been a blizzard on that particular day which froze up all the frogs and they could not get their trains placed. Three people collapsed in the line, which is not a great number, but at the same time the equipment was not in there where they could be laid out on benches and they had to drag them out and put them into an anti-room. We are going to have this crowded condition for some time, and I cannot see in the ambit of that \$100,000 where you can do much about it. I was wondering if there was anything in this other vote of \$3,381,000 where you would have access to providing some extra facilities to take care of the rush of traffic which exists at the present time. It is a serious problem. The staff is doing its very best, but this is a problem that has to be faced.

Another suggestion I would make has to do with necessary traffic, and I speak of the armed forces particularly. I think the citizens of Canada should step aside and give preference to those who must be at their posts the next day, people who have been home on leave; and I think the general public should step aside and take second place to the troops as is done in some parts of the United States. Our Canadian people have not been so generous. Quite true, the young people can stand better than some of the older ones, but I am firmly of the opinion that many of the older ones should not be travelling. They could just as well stay at home.

Mr. VAUGHAN: I am entirely of the opinion that the first consideration should be given to those who are in uniform, and we do so as far as we can, but what the public do is very hard to control.

Mr. HARRIS: I know, but I have got it on the record for public consumption. With regard to the other point about equipment, what is there in that?

Mr. HARRIS: All the benches were taken out on account of congestion.

Mr. VAUGHAN: Is it your idea that we should put some of those benches back again?

Mr. HARRIS: Are there any rest-room facilities, or could the Toronto terminals provide some rest-room facilities more than are presently available for people who have to wait two or three hours?

Mr. WALTON: I do not think there is any space left for any more rest-room facilities than are available now, and the very reason for taking out the settees in the lower concourse was to give as much space for people as possible.

Mr. HARRIS: Quite right.

Mr. WALTON: To do anything more would appear to be a major job. I do not know just what could be done.

Mr. HARRIS: Perhaps a survey might be made to find out how some little relief could be given.

Mr. VAUGHAN: We will be glad to go into the matter. I do not think anyone could appreciate the crowded situation in the Toronto station at week ends unless he has seen it, and you have seen it. We were afraid of accidents. People were crowding in on top of each other and falling over these benches, and that was the reason some of them were removed.

Mr. HARRIS: I agree with you.

Mr. ROEBUCK: Could not the benches be put upstairs out of the way?

Mr. WALTON: There are benches on the upper concourse.

Mr. ROEBUCK: I am thinking of the righthand side as you go in, there is a waiting room there.

Mr. WALTON: At times they fill the lower concourse and what you might call the main one. The whole space is crowded.

Mr. NICHOLSON: And are the people standing?

Mr. WALTON: They are there as thick as they can be, taking up all space.

Mr. HARRIS: The eastern end of the concourse is vacant practically all the time. That might be used.

Mr. ROEBUCK: That is what I was thinking of. Some space might be found in one part or the other where you might put some benches.

Mr. VAUGHAN: We will make a thorough investigation.

Mr. ROEBUCK: There is another phase of this matter that has some reference to what Mr. Harris has been saying. In the past when things were less normal than they are now—because I think they are normal now; we should always have a great deal of travel, although much of it is due at the present time to military travel; but in the old days when there were few people on the trains that was an abnormal picture—but in those periods we had the sale of seats so that people could reserve seats and go down in a quiet way to the train and thus avoid all this nervous strain of standing in line. Now, we have abolished the chair car and the reserved seats. It was necessary, no doubt, to abolish the chair car because the chair car was wasteful in space. But I wonder whether it was necessary to abolish the reserved seats. We have at the present time a number of types of cars, passenger cars, some of which are splendid, of great capacity and very comfortable, and then these cars grade off until you come to the old fellows that seem to have been made just after the ark. Those cars are of wooden construction and they are dangerous and they are very uncomfortable. Would it not be possible to re-establish the sale of the seats? Perhaps you could sell the better ones first and grade down as your quality of car decreases in value and comfort. Why would it not be possible to sell a man a seat rather than ask him to stand in line for hours to get a seat?

Mr. VAUGHAN: That has been a question which has been under much consideration and we have studied it from every angle. Before, as you know, we did reserve and sell seats only in parlour cars; we have never sold seats at any time in what we call first-class coaches.

Mr. ROEBUCK: No, but they are doing that in the United States.

Mr. VAUGHAN: Yes, on some of their trains they are doing that.

Mr. ROEBUCK: On the Empire State Express they are doing it.

Mr. VAUGHAN: Yes, it can be done much easier where you have a through train, but where we have a lot of passengers getting on and off at intermediate points we would have to hold certain seats for passengers getting on at intermediate points.

Mr. ROEBUCK: In big trains like these you could put people in certain cars just as well as you can spread them through all the cars.

Mr. VAUGHAN: Yes, except that if you are going from Montreal to Toronto you would not like to see space reserved for someone to get on at Kingston or Belleville. The cars are so crowded that we have been compelled to use the space all the way and get the maximum occupation of them. It is a very difficult problem and Mr. Walton and I have studied it from every angle. We have gone into it with our passenger people, and we cannot see that any change is practicable as applied to conditions at the present time.

Mr. ROEBUCK: Of course I am not advocating giving something to the public for nothing.

Mr. VAUGHAN: I realize that.

Mr. ROEBUCK: I am proposing that they pay for it.

Mr. VAUGHAN: Quite true.

Mr. ROEBUCK: And if the service is worth while it should be paid for.

Mr. WALTON: It would take more staff to handle, and that is a serious point.

Mr. ROEBUCK: Girls can do the selling of tickets and that kind of work just as well or better than men.

Mr. WALTON: We have employed a lot of girls but they need to be broken in.

Mr. McCULLOCH: That would not be fair to the ones who could not afford to pay for those seats. They have as much right to comfort in the cars as the ones who can pay for the seats.

Mr. VAUGHAN: We might have trouble with the troops. They might complain, because they might all be huddled in one car where there was a tremendous crowd while other people who were able to pay were occupying nice seats in another car.

Mr. ROEBUCK: That applies to reserve seats any place in the country. It applies to sleeping cars. Why don't you have a rush to obtain sleeping cars instead of selling them?

Mr. VAUGHAN: We are going as far as we can to give the best facilities possible to the public under existing conditions. That is a matter for the Transport Controller. It was under his direction that we took the parlour cars off, and we would have to get approval from the Transport Controller or from the Board of Transport to charge for seats in coaches.

Mr. EMMERSON: I suppose it would be out of the question to have additional trains, spaced at different times. The greatest congestion I have seen in Toronto was at certain hours at night and in the morning. At such times trains are crowded. Is there any way of getting additional trains at certain hours?

Mr. WALTON: Your whole train service is built up to a great extent on connections, and the trains need to be run at approximately the times that they are operated for the greatest convenience. Then, of course, you have congestion at Toronto that you do not experience at any other point, because it is only at a point where you have the traffic of two railroads combined in the one station that this occurs.

Mr. SANDERSON: Is not the whole problem due to the military situation. You are doing good work—not only you but the C.P.R. also. The whole trouble is that there is a war on.

Mr. VAUGHAN: The congestion is undoubtedly brought about by war conditions.

Mr. NICHOLSON: There is quite a large increase in this item. Could the president make some statement about the general situation with regard to available materials?

Mr. VAUGHAN: Which item is that?

Mr. NICHOLSON: General, including additions, betterments and equipment.

Mr. ROEBUCK: I do not think we should end this discussion with regard to improving conditions on the trains by simply saying that we are in a war. It is true that we are, but that does not mean that the greatest of energy and concentration should not be placed on the giving of the best possible service, notwithstanding the war. I do not bring this up as a matter of criticism.

Mr. VAUGHAN: I realize that.

Mr. ROEBUCK: I bring it up rather with the hope that perhaps conditions which are not ideal might be improved.

Mr. VAUGHAN: We will be glad to go into that and see whether there is anything more we can do. We certainly want to relieve the discomfort of the travelling public as much as we possibly can. I do not believe that the Transport Controller would permit us to sell seats. However, we will be very glad to go into the matter again.

Mr. ROEBUCK: I suppose the greatest concentration of passengers in on this line to Ottawa. I understand that the trains to Montreal are by no means as badly crowded as they are on this Ottawa line. I suppose the reason for that is that there are so many servicemen brought a part of the way and transferred at Carleton Place to Petawawa. I wonder whether it would be possible to take through cars to the camp instead of having them changed at Carleton Place.

Mr. WALTON: I do not know about Carleton Place, that is a Canadian Pacific point, but we did that with regard to a number of movements. For instance, when there is a military movement out of Kingston a section of the 3 o'clock train that leaves here for Toronto is operated separately out of Kingston so as to take as much of the load as possible off the regular train.

Mr. ROEBUCK: Had it not been for that condition, conditions would have been intolerable on the regular trains.

Mr. WALTON: That is done in any case where equipment can be made available and where such a condition exists. It is true that travel is extremely heavy between here and Toronto, but I think probably Mr. McCulloch would disagree with you that it is the heaviest point; travel on the maritime trains is exceptionally heavy.

Mr. ROEBUCK: Of course, I do not know that.

The CHAIRMAN: It is pretty heavy between here and Winnipeg.

Mr. WALTON: Yes, and so it is all over. It is a case of heavy traffic everywhere.

Mr. VAUGHAN: We will go into that matter again.

Mr. NICHOLSON: Before you leave that point I would like to refer to this item of General including additions and betterments and equipment: Are you going to get some additional coaches this year?

Mr. VAUGHAN: We cannot get any new passenger equipment. We would like to get new coaches. We have applied for them but we have to get priorities for new coaches both from the United States and Canada, as quite a few of the

parts for passenger cars have to come from the States, and they are not allowing passenger cars to be built either in the United States or Canada today.

The CHAIRMAN: Let us go to page 4.

CANADIAN NATIONAL RAILWAYS

Comparative Statement of Maturing Capital Obligations, Sinking Fund and Equipment Principal Payments, Years 1943-1944.

	1943 Budget	1943 Actual	1944 Budget
<i>Retirement of Maturing Capital Obligations</i>			
Indebtedness to State of Michigan re Wider Woodward Avenue, Detroit	\$ 430,000	\$ 429,529	\$ 430,000
	<u>\$ 430,000</u>	<u>\$ 429,529</u>	<u>\$ 430,000</u>
<i>Sinking Fund Payments</i>			
2% Canadian National Rlys. Guar. Deb. Stock (1927)	\$ 397,792	\$ 218,808	.....
4% Saint John & Quebec Rly. 1st Mtge. Deb. Stock	6,735	6,484	6,485
	<u>\$ 404,527</u>	<u>\$ 225,292</u>	<u>\$ 6,485</u>
<i>Equipment Principal Payments</i>			
5% Can. National Rly. Equip. Trust Series "K"....	1,200,000	1,200,000	1,200,000
4½% Can. National Rly. Equip. Trust Series "L"....	1,050,000	1,050,000	1,050,000
2½% Can. National Rly. Equip. Trust Series "O"....	1,430,000	1,430,000	1,430,000
2¾% Can. National Rly. Equip. Trust Series "P"....	500,000	500,000	500,000
2½% Can. National Rly. Equip. Trust Series "Q"....	650,000	650,000	650,000
3% Purchase of Rly. Equip. 1936 (Dom. Govt.)....	517,173	517,173	517,173
3½% Purchase of Rly. Equip. 1940 (Dom. Govt.)....	991,968	991,968	991,968
3½% Purchase of Rly. Equip. 1941 (Dom. Govt.)....	1,401,141	1,382,635	1,382,634
5% Cent. Vermont Rly. Inc., Equip. Trust 1929....	124,000	124,000	113,000
5% Grand Trunk Western Rly. Equip. Trust 1929...	283,000	283,000	276,000
2½% Grand Trunk Western Rly. Equip. Trust 1941..	570,000	570,000	570,000
	<u>\$ 8,717,282</u>	<u>\$ 8,698,776</u>	<u>\$ 8,680,775</u>
	<u>\$ 9,552,000</u>	<u>\$ 9,353,597</u>	<u>\$ 9,117,000</u>

NOTE.—No provision has been made in the 1944 Budget for semi-annual Sinking Fund payments of \$250,000 each July 1, 1944, and January 1, 1945, for Canadian Northern Railway Company 6½% Sinking Fund Bonds, as these amounts, in the judgment of the Management, will not be required.

Mr. VAUGHAN: Perhaps I should qualify what I said by saying that we have in the budget some passenger cars but we have not been able to get priorities on them as yet. We may be able to do so during the year. We will come to that later.

The CHAIRMAN: Page 5, new equipment under dominion government hire-purchase agreements. Is there anything on that?

CANADIAN NATIONAL RAILWAYS

New Equipment under Dominion Government Hire-Purchase Agreements

	1943 Budget	1943 Actual	1944 Budget
1941 Program—Order in Council P.C. 3433, May 14, 1941	\$11,703,894	\$11,426,281	.....
1943 Program—Original proposal included in the Budget was \$32,212,500. This program was later revised and approved for \$27,000,000, under Order in Council P.C. 7721, Oct. 5, 1943.....	32,212,500	7,425,726	18,806,654
1944 Program—Orders in Council: P.C. 7722, Oct. 5, 1943, P.C. 8996, Nov. 23, 1943, P.C. 1721, March 16, 1944 .....		.....	22,790,900
Total Equipment Purchases under Hire-Purchase Agreements	<u>\$43,916,394</u>	<u>\$18,852,007</u>	<u>\$41,597,554</u>

DETAILS OF ABOVE FOR 1943 AND 1944

1941 Program

	Units	
	1943	1944
Northern type locomotives	5	
Box cars (40-ton)	1,950	
Box baggage cars (40-ton)	50	
Gondolas (7-ton)	237	
	<hr/> 2,242	11,426,281

1943 Program

Northern type locomotives	23	7		
Box cars (40-ton)	288	2,762		
Flat cars (50-ton) .....	....	200		
Hopper cars (70-ton)	250	500		
Freight refrigerator cars	100	200		
	<hr/> 661	<hr/> 3,669	7,425,726	18,806,654

1944 Program Proposed

Mountain type locomotives	20			
Box cars (40-ton)	2,000			
Ore cars (50-ton)	250			
First-class coaches (air-conditioned)	50			
Sleeping cars (air-conditioned)	30			
Dining cars (air-conditioned)	10			
Baggage cars	25			
	<hr/> 2,385	.....		22,700,900

Mr. VAUGHAN: You will see under 1944 that there are some passenger cars there.

Mr. EMMERSON: You spoke of having difficulty in getting passenger cars and coaches. Do you have to get some of that equipment from the United States?

Mr. VAUGHAN: Some of the parts come from the United States. Most of the material is available in Canada. But apart from that fact whether it is for freight cars or passenger cars, whether they are built entirely in Canada or not, we have to get priorities from Washington as well as Canada, and the reason is that the United States is shipping into Canada tremendous quantities of steel every month on allocations, and they are not going to permit the steel to be used on box cars built in Canada or for any other purpose unless they approve of it.

Mr. NICHOLSON: Dining cars. I think you purchased some dining cars for use in the maritimes that operated a buffet as well?

Mr. VAUGHAN: We converted some cars.

Mr. NICHOLSON: How has that worked out? Are you planning to extend that type of car?

Mr. VAUGHAN: It has worked out quite satisfactorily.

Mr. WALTON: We have recently turned out a car which is partly a lunch car and partly table accommodation. Mr. Hanson may have seen that.

Mr. HANSON (*Skeena*): And an observation car also?

Mr. VAUGHAN: Not the same as that, but an adaptation of that idea.

Mr. NICHOLSON: On the American lines they are using a type of car which saves the use of linen and they handle more passengers.

Mr. ROEBUCK: They are doing it on the T.N.O. railway; they have a splendid system there.

Mr. VAUGHAN: That is true. We are adopting these new types of cars and the simplified services to enable us to serve people more quickly.

Mr. HANSON (*Skeena*): You had some cars converted—mail and baggage cars?

Mr. VAUGHAN: Yes.

Mr. HANSON (*Skeena*): How many were converted in the west?

Mr. WALTON: I think four.

The CHAIRMAN: Page 6.

CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS, LIMITED

Comparative Statement of Net Income Results Years 1943-1944

	1943 Budget	1943 Actual	1944 Budget
<i>Estimated Net Income from Operation</i>			
Operating Revenues	\$ 3,317,000	\$ 4,319,419	\$ 4,660,000
Subsidies to be received from the West Indies Colonies in conformity with Trade Agreement entered into with the Government of the Dominion of Canada	100,000	172,770	185,000
Total Revenues	3,417,000	4,492,189	4,845,000
Operating Expenses	2,320,000	3,188,579	3,754,000
Net Operating Income	1,097,000	1,303,610	1,091,000
Interest Requirements on 5%—25-Year Bonds issued in 1930; Principal Amount \$9,400,000..	470,000	470,000	470,000
Exchange Premium on Bond Interest	52,000	51,700	52,000
Interest on Government Notes and Advances..	347,000	343,073	338,000
Net Income	\$ 228,000	\$ 438,837	\$ 231,000

Mr. WALTON: This refers to Canadian National (West Indies) Steamships, Limited.

The CHAIRMAN: That is the end of the budget.

Mr. McCULLOCH: I move that the budget be adopted.

(Carried.)

The CHAIRMAN: Now we come to the Canadian National Securities Trust.

Mr. VAUGHAN: This is pretty much a repetition of what appears on page 18 of the annual report under the heading of proprietor's equity account.

The CHAIRMAN: That was discussed thoroughly.

Mr. McCULLOCH: Yes, that was discussed yesterday.

The CHAIRMAN: Yes, that was discussed by Mr. Hanson.

Mr. HANSON (*Skeena*): Is this going into the record?

The CHAIRMAN: Yes, it will go into the record, but the contents were discussed at length by the committee.

THE CANADIAN NATIONAL RAILWAYS SECURITIES TRUST

OTTAWA, 15th March, 1944.

The Honourable J. E. MICHAUD, K.C., M.P.,
Minister of Transport,
OTTAWA.

SIR,—In conformity with Section 23 of The Canadian National Railways Capital Revision Act, 1937, the Trustees submit the following report of the transactions of The Canadian National Railways Securities Trust for the calendar year 1943.

The book value of the capital stock of the Securities Trust has been increased during the year by \$37,837,580.54, as shown hereunder:

Surplus Earnings of the Canadian National Railway System for the year 1943..	\$ 35,639,412.23
Capital Gain on repatriation of securities.....	2,430,284.25
	<hr/>
	\$ 38,069,696.48
Line Abandonment—Regina Freight Line Cut-off.....	232,115.94
	<hr/>
Net Gain credited to Proprietor's Equity.....	<u>\$ 37,837,580.54</u>

With regard to the item of capital gain amounting to \$2,430,284.25, additional repatriated securities were acquired by the Canadian National Railway Company during the year under the following Orders in Council:

P.C. 2484 dated 28th March, 1942—repurchase from the Dominion, at the vesting price, of the railway securities purchased by the Dominion from the Treasury of the United Kingdom.

P.C. 2886 dated 11th April, 1942, and 7197 dated 14th August, 1942—redemption at the vesting price of railway securities listed in but not subject to the vesting order of the Treasury of the United Kingdom.

P.C. 6002 dated 25th October, 1940—4% Perpetual Debenture Stock issued by the Grand Trunk Railway Company.

These transactions dealt with railway securities having a par value of \$2,229,055.80. The cost of redemption was \$2,119,333.89, resulting in a capital gain of \$109,721.91 less \$239.66 discount not amortized prior to date of redemption—a net of \$109,482.25.

Order in Council P.C. 2484 of 28th March, 1942, also dealt with the capital stock of the Atlantic and St. Lawrence Railroad Company. This Company owns the railway from Island Pond, Vermont, to Portland, Maine, a distance of 147.79 miles, which has been operated by the Canadian National Railway Company under a 999 year lease dated 1st August, 1853. On 8th January, 1943, the Interstate Commerce Commission issued its order authorizing the Canadian National Railway Company to purchase the capital stock. The capital gain on this account during the year amounted to \$2,320,802. This capital gain equals the excess ledger value of the assets acquired (determined in accordance with Interstate Commerce Commission valuation proceedings and accounting regulations) over the cost to the Canadian National of the securities controlling such assets.

Loans for the purchase of these securities have been made to the Railway by the Government, bearing interest at 3½ per cent per annum, repayable on demand and secured by promissory notes and by the securities so purchased.

Certain securities of Companies comprised in the National Railway System were duly paid on their respective maturity dates or when called, in so far as they were held by the public, and the Railway decided to make arrangements for the discharge of the underlying trust mortgages, which necessitated the cancellation and cremation of all of the securities issued under the mortgages. Part of the securities so issued were held by the Securities Trust and application was made to the Trust for the release, for cancellation and cremation, of the securities so held. After hearing representations by the President and financial officers of the railway in support of the application, the Trustees were satisfied that the paramount interest to be served by the discharge of the trust mortgages was the facilitation of the process of consolidation of the corporate structure of the System and that no public interest would be detrimentally affected thereby. The Trustees, by resolution of 24th February, 1943, authorized the release of the undermentioned securities to the Canadian National Railway Company, for cancellation and cremation, subject to the approval of the Governor in Council as required by Section 21 of The Canadian National Railways Capital Revision Act, 1937. Such approval was granted by Order in Council P.C. 4437 of 31st May, 1943, and the securities have been released, cancelled and cremated:

(a) Canadian Northern Railway Company 4% Debenture Stock due 23rd. January, 1939 (held as part collateral for loan made to Canadian Northern Railway Company under the War Measures Act, 1918).....	\$1,975,866.67
(b) Mount Royal Tunnel and Terminal Company Limited 5% First Mortgage (Canadian Northern) Rent charge Debenture Stock and Bonds called for redemption 15th. October, 1936.....	5,348,466.66
(c) Halifax and South Western Railway Company 3½% First Mortgage Debenture Bonds due 30th. September, 1942.....	1,216,666.66
(d) Canadian Northern Railway Company 4% First Mortgage Bonds (Pas Mission) due 15th. April, 1939.....	880,000.00
(e) Duluth, Winnipeg and Pacific Railway Company 4% First Mortgage Debenture Stock due 1st. June, 1939.....	1,051,589.33
(f) Duluth, Rainy Lake and Winnipeg Railway Company 5% First Mortgage Sinking Fund Gold Bonds due 1st. January, 1916.....	2,000,000.00
(g) Grand Trunk Pacific Railway Company 4% Mortgage Bonds due 1st April, 1919 (held as part collateral for loan made to Grand Trunk Railway Company under Vote 126. 1921).....	10,000,000.00
(h) Grand Trunk Pacific Branch Lines Company interest coupons (held as part collateral for loans made to Canadian National Railway Company).....	1,579,490.28

(Items (b) to (f) inclusive, were held as part collateral in respect of Canadian Northern Railway indebtedness refunded by the Government under Chapter 24, Statutes of 1917 and Chapter 11, Statutes of 1918).

The Trustees present herewith the Balance Sheet of the Securities Trust as at 31st December, 1943.

For the Trustees,

W. C. CLARK,
Chairman.

THE CANADIAN NATIONAL RAILWAYS SECURITIES TRUST

BALANCE SHEET AT 31ST DECEMBER, 1943

ASSETS		LIABILITIES	
<i>Claims for Principal of Loans—</i>		<i>Capital Stock Owned by His Majesty—</i>	
Canadian Northern Railway.....	\$312,334,805.10	5,000,000 shares of no par value capital	\$ 270,037,437.88
Grand Trunk Railway.....	118,582,182.33	stock:—Initial stated value.....	
Grand Trunk Pacific Railway.....	116,006,599.08		
Canadian National Railway Company	96,936,971.75		
	<hr/>	Gain from transactions subsequent to	66,643,024.83
		1st. January, 1937—per contra....	<hr/>
			\$ 336,680,462.71
<i>Claims for Interest on Loans—</i>			
Canadian Northern Railway.....	\$ 309,702,897.65		
Grand Trunk Railway.....	103,250,802.95		
Grand Trunk Pacific Railway.....	107,326,622.84		
Canadian National Railway Company	54,501,313.57		
	<hr/>		
	574,781,637.01		
<i>Transactions subsequent to 1st January, 1937, affecting the book value of the capital stock of the Securities Trust—</i>			
Canadian National Railway System:			
Year 1943	Total to Date		
Surplus Earnings. \$	\$ 64,719,007.29	Amount by which the book value of	
Capital Gains ...	19,105,651.38	claims and interest thereon—per	
Capital Losses ...	17,181,633.84	contra—exceeded the initial stated	
	<hr/>	value	948,604,757.39
			<hr/>
			\$1,285,285,220.10
<i>Collateral Securities—</i>			
As per schedule A. 1.....	.....	
	<hr/>		
	\$1,285,285,220.10		
	<hr/>		
		T. H. COOPER,	
		Comptroller.	

CERTIFICATE OF AUDITORS

We have examined the books and records of The Canadian National Railways Securities Trust for the year ended the 31st December, 1943. There have been produced for our inspection the Notes and Other Evidences of Indebtedness, the Collateral Securities and the Certificate of the Special Depositary, as set out in Schedule A.1 attached hereto.

We certify that, in our opinion, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the accounts of the Trust as at the 31st December, 1943, in accordance with the provisions of The Canadian National Railways Capital Revision Act, 1937.

10th MARCH, 1944.

GEORGE A. TOUCHE & CO.,
Chartered Accountants.

SUMMARY OF INDEBTEDNESS TRANSFERRED FROM THE GOVERNMENT TO THE SECURITIES TRUST

Loans Outstanding

CANADIAN NORTHERN RAILWAY:

3½% Loan, Chapter 6, 1911.....	\$ 2,396,099 68
4% Loan, Chapter 20, 1914.....	5,294,000 02
5% Loan, Chapter 4, 1915.....	10,000,000 00
6% Loan, Chapter 29, 1916.....	15,000,000 00
Temporary Loan, 1918, repaid.....	
+6% Loan, Chapter 24, 1917.....	25,000,000 00
+6% Loan, Vote 110, 1918.....	25,000,000 00
+6% Loan, Vote 108, 1919.....	35,000,000 00
+6% Loan, Vote 127, 1920.....	48,611,077 00
+6% Loan, Vote 126, 1921.....	44,419,806 42
+6% Loan, Vote 136, 1922.....	42,800,000 00
6% Loan, War Measures Act, 1918.....	1,887,821 16
+6% Equipment Loan, Chapter 38, 1918.....	56,926,000 82

Indebtedness refunded by Government under Chapter 24, 1917 and Chapter 11, 1918

†Mortgage covering loans above

Total Canadian Northern

GRAND TRUNK RAILWAY:

6% Loan, Vote 478, 1920.....	\$ 25,000,000 00
6% Loan, Vote 126, 1921.....	55,293,435 18
6% Loan, Vote 137, 1922.....	23,288,747 15

4% Loan to G.T. Pacific Chapter 23, 1913, guaranteed by Grand Trunk

Temporary Loans, repaid through subsequent issues of guaranteed securities and loans

Total Grand Trunk

GRAND TRUNK PACIFIC RAILWAY:

3% Bonds, Chapter 24, 1913.....	\$ 33,048,000 00
6% Loan, Chapter 4, 1915.....	6,000,000 00
6% Loan, Vote 441, 1916.....	7,081,783 45
6% Loan, Vote 444, 1917.....	5,038,053 72
6% Loan, Vote 110, 1918.....	7,471,399 93
Receiver's Advances, P.C. 635, March 26, 1919.....	45,764,162 35
Interest Guaranteed by Dominion.....	8,704,662 65
Interest Guaranteed by Provinces of Alberta and Saskatchewan.....	2,898,536 98
Agreement with Government under Chapter 71, 1903.....	

Total Grand Trunk Pacific

None. Charge is on premises mortgaged October 4, 1911.
None.

None.

Mortgages dated June 23 and June 26, 1916.

6% Demand Notes.....	\$ 497,566 80
6% Demand Notes.....	33,012,414 32
6% Demand Notes.....	27,203,003 65
6% Demand Notes.....	40,031,122 27
6% Demand Notes.....	53,008,779 65
6% Demand Notes.....	50,259,312 47
6% Demand Notes.....	46,691,634 60
{6% Demand Note.....	5,700,000 00
{3½% and 4½% Debenture Stocks.....	7,139,399 00
6% Demand Notes.....	56,858,496 44

{Miscellaneous Bonds and Debentures.....
{Miscellaneous Bonds and Debentures.....14,744,817 25
20,721,191 12

Mortgage dated November 16, 1917

6% Demand Notes.....	\$ 25,479,226 97
6% Demand Notes.....	56,646,816 12
6% Demand Note.....	23,288,747 15

{4% Demand Note.....
{4% G.T.P. Debentures.....15,000,000 00
15,000,000 00{4% Debenture Stock.....
{6% 2nd Mortgage Equipment Bonds.....60,801,700 00
1,693,113 333% 1st Mortgage Bonds.....
4% Sterling Bonds.....\$ 33,048,000 00
7,499,952 00Mortgage, June 28, 1916.....
Mortgage, October 18, 1917.....
Mortgage, October 18, 1917.....
Receiver's Certificates.....
Cremation Certificates, coupons destroyed..........
.....
.....
53,339,162 74
8,698,170 42Cremation Certificates, coupons destroyed.....
Grand Trunk Pacific Development Company Capital Stock.....2,925,723 88
2,999,000 00

forward

SCHEDULE A.1—*Concluded*

THE CANADIAN NATIONAL RAILWAYS SECURITIES TRUST

SUMMARY OF INDEBTEDNESS TRANSFERRED FROM THE GOVERNMENT TO THE SECURITIES TRUST

Loans Outstanding

CANADIAN NATIONAL RAILWAY COMPANY:

6% Loan, Vote 139, 1923\$ 24,550,000 00

5% Loan, Vote 137, 1924 10,000,000 00

5% Loan, Vote 377, 1925 10,000,000 00

5% Loan, Vote 372, 1926 10,000,000 00

5% Loan, Vote 336, 1929 2,932,652 91

5% and 5½% Loans, Chapter 22, 1931 29,910,400 85

5½% Loans, Chapter 6, 1932 11,210,815 56

Temporary Loan 1930, repaid

Less: adjustment authorized by the Capital Revision
Act, 1937 1,666,897 57

Total Canadian National Railway Company\$ 96,936,971 75

Total Loans\$643,860,558 26

**Notes and Collateral Held*{ 6% Canadian Northern Demand Note\$ 12,655,019 57
{ G.T.P. Receiver's Certificates 3,313,530 01
{ G.T.P. Interest Coupons 1,530,831 96{ 5% Canadian Northern Demand Note 1,318,315 86
{ G.T.P. Receiver's Certificates 4,691,173 58
{ G.T.P. Interest Coupons 1,530,822 24{ 5% Canadian Northern Demand Note 9,496,718 21
{ G.T.P. Receiver's Certificates—Cr. 1,422,425 17
{ G.T.P. Interest Coupons 1,530,802 80{ 5% Canadian Northern Demand Note 9,062,624 30
{ G.T.P. Receiver's Certificates—Cr. 364,898 78
{ G.T.P. Interest Coupons 1,530,880 56

5% Canadian National Railway Company Demand Note. 2,932,652 91

5% and 5½% Canadian National Railway Company De-
mand Notes 29,910,400 85

5½% Canadian National Railway Company Demand Notes 11,210,815 56

{ 166,877.6376 shares of Capital Stock of Grand Trunk
Western Railroad 4,171,940 94{ 5% 1st and General Mortgage Temporary Gold Bonds of
Central Vermont Railway, Inc. 8,609,000 00

* The Notes and Other Evidences of Indebtedness and the Collateral Securities are all held for safekeeping in the vaults of the Department of Finance, Ottawa, excepting Grand Trunk Pacific Railway 3% 1st. Mortgage Bonds in the amount of £5,307,000 (\$25,792,020) which are held for safekeeping by the Bank of Montreal, London, England, as evidenced by the certificate of that depository.

Mr. NICHOLSON: What about this item Regina Freight Line Cut Off on page 4 of this Canadian National Railway section. What is the explanation of this?

Mr. VAUGHAN: There was some expenditure made on that line, but it was subsequently decided we could abandon the line and do without it.

Mr. NICHOLSON: Where is the line?

Mr. VAUGHAN: It is a line that cuts off north of Regina.

Mr. WALTON: It was a line, so that instead of coming where the trains do now, as you come from the west, you went on the north side of the city and then connect into the main line east of the section, a mile and a half or two miles. It was never used and the necessity for it disappeared.

Mr. DONNELLY: Did it join in with that line coming from Weyburn?

Mr. WALTON: It joined into the Regina-Kipling line a couple of miles east of Regina, but it was never used.

Mr. DONNELLY: Would it run into the one coming from the southwest—or the southeast, at least?

Mr. WALTON: Yes.

Mr. DONNELLY: Not the one coming in from Weyburn?

Mr. WALTON: No, not from Weyburn; it joined in with the line from Regina to Kipling to Brandon.

The CHAIRMAN: May I ask the members of the committee if you wish this report to be gone over in detail?

Some Hon. MEMBERS: No.

The CHAIRMAN: Then is page 4 carried?

Some Hon. MEMBERS: Yes.

The CHAIRMAN: Is page 5 carried?

Some Hon. MEMBERS: Carried.

The CHAIRMAN: Is page 6 carried?

Some Hon. MEMBERS: Carried.

The CHAIRMAN: Is page 7 carried?

Some Hon. MEMBERS: Carried.

The CHAIRMAN: Is page 8 carried.

Some Hon. MEMBERS: Carried.

The CHAIRMAN: Will somebody move the adoption of the report.

Mr. MAYBANK: Yes. I will move the adoption of it.

Motion agreed to.

The CHAIRMAN: Where are those items?

Mr. EMMERSON: What is the number?

The CHAIRMAN: There are four items in the estimates that are moved every year and returned to the house. On page 47 of the estimates there is No. 387.

Mr. NICHOLSON: What is the amount?

The CHAIRMAN: It reads:—

387—To hereby authorize and provide for the payment of time during the fiscal year 1944-45 to the Canadian National Railways Company of the difference (estimated by the Canadian National Railways Company and certified by the auditors of the said company to the Minister of Transport as and when required by the said minister) occurring on account of the application of the Maritime Freight Rates Act, between the tariff tolls and the normal tolls (upon the same basis as set out in

Section 9 of the said Act with respect to companies therein referred to) on all traffic moved during the calendar year under the tariffs approved on the Eastern Lines (as referred to in Section 2 of the said Act) of the Canadian National Railways.

Is this item carried?

Mr. McCULLOCH: Carried.

Mr. NICHOLSON: Before it is carried, have you any information as to the total amount that has been paid out under this Act?

Mr. VAUGHAN: Since the beginning?

Mr. NICHOLSON: Yes.

Mr. VAUGHAN: No.

Mr. NICHOLSON: What is the average paid?

Hon. Mr. MICHAUD: For the Canadian National Railways? We have it here.

Mr. VAUGHAN: Mr. Cooper probably has it.

Hon. Mr. MICHAUD: We have it here. For the Canadian National Railways, \$38,427,891, and to all other railways, \$50,932,725.

Mr. HANSON (*Skeena*): What period does that cover?

Hon. Mr. MICHAUD: 1927 to November, 1943.

Mr. McCULLOCH: Carried.

Item 387 agreed to.

The CHAIRMAN: Then we come to item 388. Do you wish that read?

Mr. MAYBANK: No.

Mr. EMMERSON: What is the amount of it?

The CHAIRMAN: It reads as follows:—

388—Amount required to provide for payment from time to time during the fiscal year 1944-45 of the difference (estimated by the Board of Transport Commissioners for Canada and certified by the said Board to the Minister of Transport, as and when required by the said minister) occurring on account of the application of the Maritime Freight Rates Act, between the tariff tolls and the normal tolls (referred to in Section 9 of the said Act) on all traffic moved during the calendar year 1944—

The remainder is the same as the previous item.

Mr. EMMERSON: Take it as read.

Hon. Mr. MICHAUD: Except to other railways than the Canadian National Railways, \$12,000,000 from 1927 to the end of November, 1943.

Mr. EMMERSON: Is that No. 387 the estimate of March 31, 1944?

The CHAIRMAN: The minister just explained it.

Mr. HANSON (*Skeena*): No. It is the estimate for 1945.

Mr. EMMERSON: Then I have the wrong book.

Mr. HANSON (*Skeena*): Those are statutory items passed every year.

The CHAIRMAN: They are statutory items that are passed every year. We are on No. 388. Shall it carry?

Some Hon. MEMBERS: Carried.

Item agreed to.

The CHAIRMAN: No. 408.

Some Hon. MEMBERS: Carried.

The CHAIRMAN: No. 409.

Some Hon. MEMBERS: Carried.

Mr. NICHOLSON: What is No. 408?

The CHAIRMAN: It reads:—

408—Advances to Canadian National (West Indies) Steamships, Limited, repayable on demand with interest at a rate to be fixed by the Governor in Council upon such terms and conditions as the Governor in Council may determine and to be applied in payment of capital expenditure in connection with vessels under the company's control during the year ending December 31, 1944.

Is that carried?

Some Hon. MEMBERS: Carried.

Item agreed to.

The CHAIRMAN: Item 409.

Mr. DONNELLY: What is that?

The CHAIRMAN: Prince Edward Island Car Ferry and Terminals. Is that carried?

Some Hon. MEMBERS: Carried.

Mr. MAYBANK: No. We cannot allow that to carry. We have got to have something about that.

The CHAIRMAN: Will some one move the adoption of the estimate? Mr. McCulloch moves it.

Some Hon. MEMBERS: Carried.

Mr. MAYBANK: Wait a minute. That is not carried. We have to have an argument about that ferry.

The CHAIRMAN: All right; it is not carried.

Mr. MAYBANK: Oh, we will not argue.

Mr. EMMERSON: I want to find out how that amount is arrived at. Is it a deficit in the operation of the ferry?

Mr. ROEBUCK: How much is the amount? We just got the "Prince Edward Island." That is all we heard.

Mr. EMMERSON: What proportion of the freight that is carried and of the passenger traffic is credited to the ferry? It seems an enormous amount for that operation.

Mr. DONNELLY: Build a tunnel.

Mr. VAUGHAN: Mr. Cooper has the figure.

Mr. COOPER: Their revenues are apportioned on a ton mile and passenger mile basis, using the Eastern Lines average rates; that is to say, on every ton which is moved across the ferry we credit to this service the same revenue per ton mile which the Atlantic region earns per ton mile. On local traffic, of course, we give them 100 per cent.

Mr. EMMERSON: And on passenger fares?

Mr. COOPER: Passenger fares again would take the Atlantic region passenger mile rate. But on the local passenger traffic they get 100 per cent.

Mr. EMMERSON: And on the transportation of automobiles 100 per cent would be credited to the boat?

Mr. COOPER: Yes. That is covered by tariff, of course; and as you say, 100 per cent is credited to the car ferry operation.

Some Hon. MEMBERS: Carried.

Item agreed to.

Mr. NICHOLSON: Before we finish these questions, there is a question that should have come up yesterday regarding the share of the business between the two railways. I wonder if we can have some statement from the president as to whether he is satisfied with the share of government revenue that the C.N.R. is getting. Certain regulations were relaxed two years ago.

The CHAIRMAN: There is nothing we can do about it. We told the railways to go ahead and do their utmost.

Mr. NICHOLSON: I think the president might make a statement.

Mr. VAUGHAN: We will never be satisfied, Mr. Nicholson. We are out to get every dollar's worth of business we can, legitimately. We are getting along better with the various departments.

Mr. NICHOLSON: How about those orders about dividing the business fifty-fifty?

Mr. VAUGHAN: Those were withdrawn.

The CHAIRMAN: They are all out.

Mr. NICHOLSON: You feel in actual practice they have been withdrawn?

Mr. VAUGHAN: Generally speaking. There are a few officials probably in one or two of the departments who still want to divide the business fifty-fifty and still do; but that does not apply in many cases.

The CHAIRMAN: Are the estimates carried?

Mr. McCULLOCH: Carried.

The CHAIRMAN: The next is the Canadian National Railway System auditors' report.

Mr. VAUGHAN: I think that finishes the Canadian National Railways. I should like to take this opportunity of thanking you, sir, and the members of the committee for your consideration and for the very kind way in which you have expedited the passing of these statements of ours. It means much to us to be able to get back to Montreal in a comparatively short time, and we are grateful to you.

The CHAIRMAN: I think, Mr. President, we rather enjoy this perusal of your reports.

Mr. HANSON (*Skeena*): This year especially.

The CHAIRMAN: I know it is the wish of the committee that I should thank you on their behalf for the courteous way in which you and your officials have presented the information asked for.

Mr. VAUGHAN: Thank you, Mr. Chairman.

The CHAIRMAN: Then, it is Mr. Matthews' turn now. I will now call on him.

Mr. O. A. MATTHEWS of George A. Touche & Co., called.

The CHAIRMAN: Do you wish to have this statement read, gentlemen? Mr. Matthews seems to think we will get through with it about as quickly if it is read, as we would if it were dealt with in any other way.

Some Hon. MEMBERS: Agreed.

The WITNESS: The report reads as follows:—

March 10, 1944.

THE HONOURABLE THE MINISTER OF TRANSPORT,
Ottawa, Canada.

Sir:—

In pursuance of The Canadian National-Canadian Pacific Act, 1936, and Chapter 18, 1943, "An Act respecting the appointment of auditors for National Railways," we have audited the accounts of the Canadian National Railway system for the year ended the 31st December, 1943, and we now submit, through you, our report to parliament.

We attach hereto the following financial statements of the national system:—

Exhibit I—Consolidated income account—Year 1943.

Exhibit II—Consolidated balance sheet at the 31st December, 1943—together with audit certificate.

Exhibit III—Dominion of Canada—Proprietor's equity account at the 31st December, 1943.

Exhibit IV—Investments in affiliated companies at the 31st December, 1943.

Exhibit V—Major contingent liabilities at the 31st December, 1943.

CONSOLIDATED INCOME ACCOUNT

The cash surplus of the national system for the year 1943, as shown in Exhibit I, is after making provision for:—

- (a) Interest on funded debt held by the public;
- (b) Interest on loans from the dominion government;
- (c) General taxes;
- (d) Deferred maintenance as a result of war-time conditions—in respect of fixed properties and equipment;
- (e) Railway's portion of pension payments to retired employees—under all pension plans;
- (f) Pension contract reserve—covering the railway's portion of the estimated capital amount of all pension contracts in force at the year end under the 1935 plan;
- (g) Pension equalization suspense—covering railway employees in service at the year end beyond retirement age and entitled to pension contracts under the 1935 plan;
- (h) Increase in reserve for material and supplies inventories—arising out of war-time conditions;
- (i) Depreciation of equipment—Canadian lines—including special provision for abnormal war-time use;
- (j) Depreciation of equipment and fixed properties (excluding track structure)—United States lines;
- (k) Fixed property retirements—Canadian lines—excluding capital loss charged to proprietor's equity;
- (l) Fixed property retirements—United States lines track structure;
- (m) Amortization of certain defence projects presently considered as having no potential economic value in post-war operations, and
- (n) Amortization of discount on funded debt.

The surplus funds made available in the aggregate through provisions (g) to (n) are being utilized firstly for capital expenditures and current working capital requirements, the balance being applied in reduction of loans from the dominion government.

The total of provisions (a) to (n) made during the year 1943 exceeded 121 million dollars including some 55 millions credited directly to corporate reserves. Of this latter amount some 42 million dollars represented special war-time provisions and the sum set aside for pension contracts.

In comparing the cash surplus for the year 1943 with that for 1942, it should be borne in mind that some 21 million dollars in respect of the aforementioned pension contracts were charged against the 1943 revenue. It should be noted also that of the increase of some 65 million dollars in the 1943 gross revenues over those of 1942, approximately 45 per cent was carried to "Net Operating Revenue"—after charging operating expenses with the special war-time provisions in both years.

"Revenue Appropriated for Pension Reserve," as shown in the income account, relates only to the estimated amount of the reserve up to the end of 1942, the increase in the reserve during the year 1943 being charged to operating expenses.

No separate profit and loss account is included in the financial statements presented herewith for the year 1943, principally because the revised accounting classification of the Interstate Commerce Commission now provides that the accounting for general property retirements be made through operating expenses.

In the matter of current maintenance policy we have received certificates from the responsible officers to the effect that, subject to the war-time conditions which necessitated the provision for deferred maintenance, the fixed properties and equipment of the national system have been maintained in a proper state of repair and in an efficient operating condition during the year 1943.

In the reports of the previous year, issued by the directors and ourselves, the revised depreciation accounting practices affecting the road properties of United States Railways and the policy proposed for the Canadian lines of the national system were set forth. However, as the matter comes within the scope of our audit for the year 1943 we deem it advisable again to draw the attention of parliament to the fact that under an order of the Interstate Commerce Commission effective the 1st January, 1943, a "group plan" of depreciation accounting is prescribed for United States Railways covering depreciable road properties including buildings, stations, shops, bridges, etc., but excluding the track structure, i.e. rails, fastenings, ties and ballast, which is to continue on the retirement basis. This depreciation order has been made effective in the 1943 accounts of the United States Lines of the national system. In so far as the Canadian lines are concerned, retirement accounting continues in effect for all road properties and it would not appear practicable to institute any similar depreciation plan, until after the termination of hostilities, because of the substantial expense involved in determining unit property costs and the need for all of the technical personnel of the railway to meet the transportation requirements arising out of the present national emergency. In any event, we recommend that the adoption by the Canadian lines of depreciation accounting for road properties, under any specific plan, be made contingent upon the establishment by the dominion government of uniform accounting regulations, of a mandatory character, applicable to Canadian railways. It is our considered opinion that such governmental regulations, to which we have made reference for several years, should be established as early as possible in the post-war period.

By Mr. Roebuck:

Q. Why not in the present period?—A. Because of the fact that the work involved for the technical personnel of the railway would be a serious matter; and even for the government to bring in regulations of that kind, it would require studies on the part of both the government and the railway officers, and we feel that the matter should be able to wait, with other things, until the war is over and the personnel is again available for that technical work.

Q. I see. Thank you, Mr. Matthews.

By Mr. Nicholson:

Q. If that legislation were passed, how long a time would elapse before this ideal could be achieved?—A. Well it would become effective whenever the government made it effective.

Q. It could not be accomplished overnight, though?—A. Of course not. The Interstate Commerce Commission has spent a great number of years in those studies and it would naturally take some little time.

Q. How long do you mean by "some little time"?—A. Well, that just depends.

Hon. Mr. MICHAUD: On how fast the government is working.

The WITNESS: It just depends.

Mr. ROEBUCK: Or how much talk the opposition would indulge in.

By Mr. Nicholson:

Q. Apart altogether from what happens in parliament, after the legislation is passed, how long would it take to do the technical work?—A. Of course, in the passage of legislation of that kind, they would have to give the railways reasonable time to have their facts prepared, so that they could be applied. It would be of no use for the government to establish regulations on which the railways did not have the information. I speak of the Canadian National Railways, of course. But it is assumed that those studies would be made together and the date of their effective application would be after the railways had their data ready.

By the Chairman:

Q. Would it require a fresh revaluation?—A. Well, it would be a matter of going back into the records of the Canadian National Railways in respect of certain fixed properties, Mr. Chairman; yes. The Interstate Commerce Commission, of course, have had those valuation facts for many years for American Railways.

Q. That would take time?—A. It would take some time. But we regard it as important in the post-war period that, in presenting the published accounts of the larger railways of Canada to the people of Canada, the facts should be uniformly stated and that it should be under some governmental authority.

Mr. ROEBUCK: Yes.

The CHAIRMAN: Then page 3.

The WITNESS: Continuing:

Consolidated Balance Sheet

Investments in fixed properties and equipment appearing in the books of the constituent companies at the 1st January, 1923, were accepted by us. Against the corporate property investments brought into the National system accounts in 1923, there have been applied the reductions authorized by The Canadian National Railways Capital Revision Act, 1937. Since the 1st January, 1923, net additions and betterments have been shown on the basis of cost.

The several special funds of the National system including sinking funds, deposits in lieu of mortgaged property sold, deferred maintenance fund, insurance fund and pension contract fund, taken as a whole, are composed of cash and investments principally in the securities of dominion, provincial and municipal governments and in the securities of companies within the National system. The market value of the securities held in these special funds in total exceeded the book figure.

Investments in affiliated companies, as set out in Exhibit IV, are represented in the main, apart from the Trans-Canada Air Lines, by a 50% or less capital stock ownership. The basis of the balance sheet figure is cost, or in certain instances special valuations approved by the Interstate Commerce Commission. Insofar as this type of investment is made in railroad affiliates, two principal factors should be borne in mind, viz:—

- (1) The extent of traffic benefits derived by parent companies as a direct result of their investments, and
- (2) The fact that the affiliates have utilized the proceeds from the sale of their securities largely in the development of their transportation facilities. It is obvious, therefore, that the future value of investments in affiliated companies will be dependent, basically, upon the future economic position of the railroad industry as a whole.

Other deferred assets are mainly composed of contracts receivable in connection with the sale of land in western Canada.

Other unadjusted debits comprise the unamortized cost of opening ballast pits which is to be written off on the basis of yardage used; the salvage value of non-perishable material in ballast pits and other temporary tracks; accounts collectible in suspense awaiting billing to debtors; suspense debits covering the accrual of operating revenues and income, etc.

The Dominion of Canada, in connection with loans made for the repatriation of securities from the United Kingdom and other redemption undertakings, holds as collateral the major portion of the securities so redeemed from the public.

Accrued depreciation—Canadian lines—applies only to equipment and dates from the 1st January, 1940; retirement accounting continues in effect for fixed properties.

Accrued depreciation—United States lines—applies to equipment from a date prior to the 1st January, 1923, and to fixed properties (excluding track structure) mainly from the 1st January, 1943.

The accumulated reserves for pension contracts, insurance, depreciation, deferred maintenance, material and supplies inventories, and amortization of certain defence projects aggregated some 124 million dollars, of which some 56 million dollars were invested in specific funds.

Other deferred liabilities embody the outstanding capital amounts of the workmen's compensation awards by the provinces of Ontario and Quebec; the liability under equipment hire purchase arrangements pending transfer to Dominion of Canada loans; the balance of the obligation to the State of Michigan in respect of the wider Woodward Avenue extension in Detroit, etc.

Other unadjusted credits are largely made up of the Canadian lines' proportion of prepaid revenues on freight in transit; accounts payable in suspense awaiting billing by creditors; suspense credits covering the accrual of operating expenses and income charges, etc.

Mr. ROEBUCK: Before you turn the page over I see here what looks to be a remarkable statement, one that is worthy of comment. It is: "The market value of the securities held in these special funds in total exceeded the book figure". Is there any depreciation—does that go into the book figure?

The WITNESS: It is taking the book figures as they stand and applying market values against them.

By Mr. Roebuck:

Q. The market value of the securities?—A. Yes.

Q. But I am just wondering what the book figure is of these securities. Is it the face value of the securities or is it a depreciated value?—A. No, it is almost without exception the cost to the company excepting those purchases of system securities that are written up to par, but outside of the system's securities the cost to the company is the prevailing basis. There have been some instances where it has been necessary to write them down, but not very often.

Q. I think that is a matter of congratulation to the managers of that fund.—A. I think it is a record that the Canadian National Railways may well be proud of. We regard their securities' position as very sound.

Q. I know some funds that would like to be in that position.—A. I do, too, Mr. Roebuck, and that is why we called the fact to the attention of parliament. We think it is worthy of your attention. The amount involved in these funds is \$67,000,000, and of that amount there is approximately \$59,000,000 represented by securities and about \$7,000,000 in cash. We feel it is a very satisfactory position. Perhaps I might just be permitted to explain why we point out the analyses of four of the accounts, other deferred assets and liabilities, and other unadjusted debits and credits. There is considerable misunderstanding of railway accounts about what they constitute, and it is well for parliament to know that in the case of the Canadian National Railways they do not represent

anything in the way of dumping grounds for facts that should be exposed in their proper places. These special credits and debits are in accordance with the Interstate Commerce Commission's practice. They will bear inspection, and for that reason we give parliament a broad outline of what is constituted in these special accounts.

The accounts of the national system are stated in Canadian currency—sterling and United States currencies being converted at the par of exchange.

A summary of Dominion of Canada—proprietor's equity at the 31st December, 1943, is set forth on the balance sheet and the transactions during the year 1943 affecting the proprietor's equity account are summarized in Exhibit III. The capital gain on repatriation of securities, as shown in this exhibit, mainly represents the excess of the sterling par value of the capital stock of the Atlantic and St. Lawrence Rail Road Company over the dollar cost of its acquisition based on the vesting price referred to in the relative Order in Council. The properties controlled by the capital stock so acquired have been brought into the National system accounts on the basis of original cost, as confirmed by valuation order of the Interstate Commerce Commission and as represented by the sterling par value of the capital stock.

Major contingent liabilities are outlined in Exhibit V. With reference to pension plans, we would point out that reserves have been set up against contracts in force under the 1935 contractual plan but not against pensions conditionally accruing under that plan or prior non-contractual plans. The contributions under the 1935 contractual plan by employees presently in service are invested through the separately administered pension trust fund, the accounts of which are not included with those of the railway.

General Scope of Audit

The general scope of the test audit of the National system for the year 1943 may be outlined briefly as follows:—

- (a) Examination of major expenditure authorities which were based mainly upon recorded resolutions of directors. These expenditure authorities in turn have been established principally by corporate by-laws, orders in council and acts of Parliament;
- (b) Audit tests in the offices of regions, separately operated properties and system headquarters, covering a cross-section of the major expenditures so authorized;
- (c) Examination into the adequacy of the internal audit control in general as exercised by the accounting staff of the system. In this connection we work in collaboration with the executive accounting officers at headquarters having as a common objective the securing of maximum internal protection to the system in the control of cash receipts and expenditures, securities held, material stores, accounts receivable, etc., and
- (d) Audit and certification of the consolidated income account and consolidated balance sheet for presentation to parliament, which body is thus placed in possession of facts upon which conclusions can be reached as to the stewardship of the duly appointed administrators of the system.

The audit covered the various balance sheet accounting units in Canada, the United States and Great Britain with income accounts originating in the revenue offices, regions, separately operated properties and system headquarters applicable to some 90 companies comprising the National system as an operating entity.

CANADIAN NATIONAL RAILWAYS SECURITIES TRUST

The Canadian National Railways Securities Trust, under authority of Section 22 of the Capital Revision Act, 1937, has been treated as a constituent unit of the National system. There is, however, a provision in Section 23 of the Act requiring presentation to parliament of a trustees' report and a separate balance sheet for the Securities Trust. The trustees' report is to set forth the transactions of the Securities Trust during the year 1943, comprising the net change in the book value of the capital stock and the release of certain collateral securities in accordance with the Capital Revision Act. Our audit certificate is appended to the separate balance sheet as at the 31st December, 1943.

TRANS-CANADA AIR LINES

The Trans-Canada Air Lines have not been included as a constituent unit of the National system although 100 per cent stock ownership of the air lines is vested in the Canadian National Railway Company. A separate income account and balance sheet have been certified by us as at the 31st December, 1943.

Mail revenue, as shown in the income account, is based on the rates per plane mile flown in approved mail services in accordance with the Trans-Canada Air Lines Act.

The surplus for the year 1943 is after making provision for:—

- (a) Interest at 5 per cent on the capital investment—in accordance with the Trans-Canada contract;

Mr. ROEBUCK: That is a pretty high rate.

Mr. HANSON (*Skeena*): That should be changed now.

The WITNESS: It is fixed by statute.

- (b) Depreciation of capital assets—at rates comparable with those used by other major air line companies in North America, in accordance with the Trans-Canada contract;
- (c) General taxes;
- (d) Pension payments into the separately administered trust fund—covering pension accruals under the 1943 plan;
- (e) Pension payments to the Canadian National Railway Company in respect of transferred employees, and
- (f) Reserve for material and supplies inventories—arising out of war-time conditions.

The insurance fund, as shown in the balance sheet, is composed of cash and Dominion of Canada securities. The market value of the securities approximated the book figure.

Investments in property and equipment are carried on the basis of cost.

Under the 1943 pension plan, the joint contributions by the company and employees presently in service are invested through the separately administered pension trust fund, the accounts of which are included with those of the air lines. The contributions by transferred employees presently in service, who have elected to remain under the C.N.R. 1935 contractual plan, are invested through the separately administered pension trust fund under that plan.

CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS, LIMITED

The accounts of the Canadian National (West Indies) Steamships, Limited, and subsidiary companies are not consolidated with those of the National system, the 100 per cent stock ownership of the parent steamship company being vested in the Dominion government. A separate consolidated income account

and consolidated balance sheet have been certified by us as at the 31st December, 1943.

The surplus for the year 1943, as shown in the income account, is after making provision for:—

- (a) Interest on funded debt held by the public;
- (b) Interest on loans from the Dominion government;
- (c) Depreciation of vessels;
- (d) General taxes, and
- (e) Pension payments to the Canadian National Railway Company as pension contract underwriter.

Investments in vessels and other properties, as shown in the balance sheet, are carried on the basis of cost.

Of the total insurance and replacement fund, \$1,014,330 applies to insurance and \$5,401,420 to replacement. The fund is composed of cash and investments principally in the securities of Dominion, provincial and municipal governments. The market value of the securities exceeded the book figure.

I might say, Mr. Roebuck, in the \$67,000,000 figure I mentioned to you we included the \$6,000,000 of the West Indies in that total because the insurance fund covers both companies.

With reference to the contingent liability for pensions, we would point out that a reserve has been provided through the C.N.R. against contracts in force under the 1935 contractual plan but not against pensions conditionally accruing. The contributions by the steamships employees presently in service are invested through the separately administered pension trust fund under the C.N.R. 1935 contractual plan.

In the matter of current maintenance policies we have received certificates from the responsible officers of the Trans-Canada Air Lines and the Canadian National (West Indies) Steamships, Limited, to the effect that the respective capital assets have been maintained in a proper state of repair and in an efficient operating condition during the year 1943.

In respect of both the air lines and the steamships, the test audit for the year 1943 was similar in scope to that of the National system previously outlined in this report.

Mr. ROEBUCK: The only thing that seems to me deserving of comment is the investment in vessels and other properties shown in the balance sheet as carried on the basis of cost. That might be very misleading, might it not? You value these vessels at what they cost and they may be worth only a fraction of that or under present conditions worth considerably more.

The WITNESS: We tell you it is at cost.

By Mr. Roebuck:

Q. You have no other figures you can take?—A. That is the basis as it stands. We tell you that the cost is the amount that is represented as the book value of the vessels.

By Mr. Nicholson:

Q. May I inquire how large a staff you have assigned to this Canadian National Railways accounting?—A. Do you mean all through the year or the maximum? At the end of the year we have probably as many as thirty or thirty-five men.

Q. And during the year how many do you usually have?—A. Oh, we would have at least ten men.

Q. How many would you have five years ago before the war? Has it been necessary to increase the personnel that you have had to assign as a result of the increased volume?—A. Naturally, yes.

Q. How do the present figures you have given compare with those you had four or five years ago?—A. This is \$440,000,000 as against \$250,000,000 in earlier years.

Q. Which means that it requires twice as many men?—A. Oh, no.

Q. How many more men have you had to assign to this particular accounting?—A. Oh, I could not say that. We have had to use our men wherever they were needed, and at different points. I do not know.

Mr. HANSON (*Skeena*): I understand that the auditor is paid so much for auditing the books of the Canadian National Railways; whether they have one man or ten men it does not make much difference. Is that not the idea?

The WITNESS: We have to use plenty.

By Mr. Roebuck:

Q. I do not think we are auditing the auditor's accounts but tell me why is depreciation not written off this cost of vessels?—A. It is.

Q. They are carried on the basis of cost; that is cost less depreciation?—A. Oh, no. Are you speaking of the steamships?

Q. Yes, vessels and other properties as shown in the balance sheet are carried on the basis of cost.—A. If you refer to the balance sheet we are speaking of vessels and other properties at cost, and then on the other side you will find accrued depreciation.

Mr. MAYBANK: Depreciation comes in.

The WITNESS: We are speaking of the vessels and properties stated on the balance sheet and the figure shown here is \$5,831,000 as cost. As to the depreciation policy we have told you the vessels are depreciated through the income account, and the other side of the balance sheet shows you depreciation has been accrued to the extent of \$2,526,000. I would say there might be some confusion if the depreciation had been absorbed and a net figure were shown here, but it is gross on both sides to show you the cost of the vessels and against that the amount of depreciation accrued.

Mr. ROEBUCK: I see.

The CHAIRMAN: Any further comments?

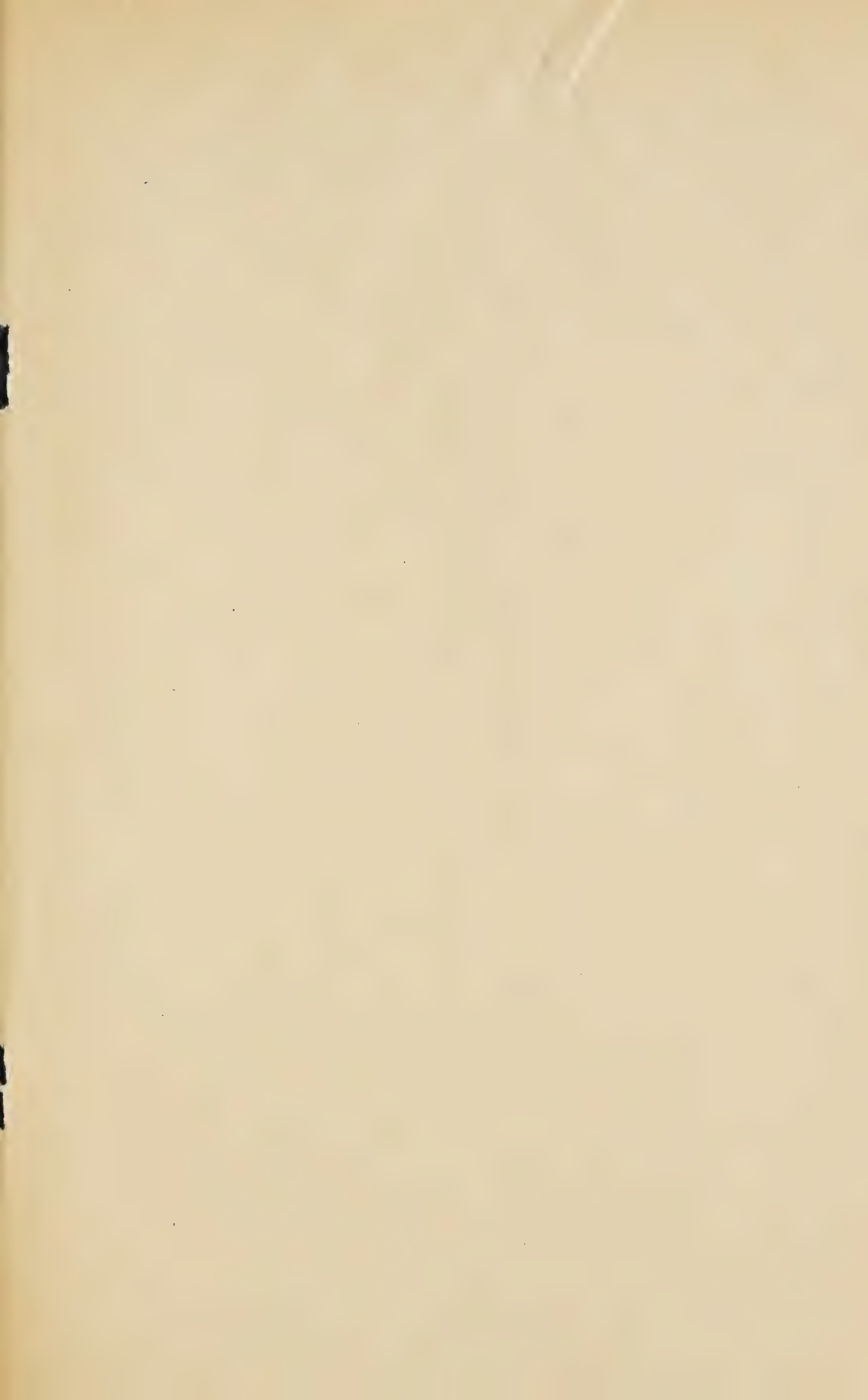
Mr. ROEBUCK: I suppose we move that it be adopted.

Mr. EMMERSON: I will second it.

The CHAIRMAN: All right. Gentlemen, I presume I may take this opportunity of expressing our thanks to the officials of the airways, C.N.R. railway, and steamship lines, the Department of Transport and to Mr. Matthews for the courtesy and patience they have displayed in attending this investigation.

Mr. ROEBUCK: Hear, hear.

The committee adjourned at 5.45 o'clock p.m., at the call of the Chair.



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Canada, Railways and Shipping
in Standing Order 1945

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SESSION 1945
HOUSE OF COMMONS

STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

THURSDAY, OCTOBER 18, 1945

TUESDAY, OCTOBER 23, 1945

WITNESSES

Mr. R. C. Vaughan, Chairman and President Canadian National Railways;
Mr. N. B. Walton, C.B.E., Executive Vice-President, C.N.R.;
Mr. T. H. Cooper, Comptroller, Canadian National Railways;
Mr. W. S. Thompson, Director of Public Relations, C.N.R.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1945

ORDERS OF REFERENCE

HOUSE OF COMMONS,

TUESDAY, 16th October, 1945.

Resolved,—That a sessional committee on Railways and Shipping owned, operated and controlled by the Government be appointed to consider the accounts and estimates and bills relating thereto of the Canadian National Railways, the Canadian National (West Indies) Steamships, and Trans-Canada Air Lines, saving always the powers of the Committee of Supply in relation on the voting of public moneys; and that the said committee be empowered to send for persons, papers and records and to report from time to time, and that, notwithstanding Standing Order 63, the said Committee consist of Messrs. Chevrier, Clark, Coyle, Beaudoin, Belzile, Bourget, Emmerson, Gibson (*Comox-Alberni*), Harkness, Harris (*Grey-Bruce*), Harris (*Danforth*), Hazen, Jackman, LaCroix, Lockhart, Maybank, McCulloch (*Pictou*), Moore, Mutch, Nicholson, Picard, Reid, Shaw.

Attest.

R. T. GRAHAM,

Assistant Clerk of the House.

WEDNESDAY, October 17, 1945.

Ordered,—That the following Reports be referred to the said Committee:—

Financial Budget of the Canadian National Railways System and the Canadian National (West Indies) Steamships, Limited, for the year 1945.

Annual Report of the Directors of the Trans-Canada Air Lines for the year ended December 31, 1944.

Annual Report of the Canadian National Railways system for the year ended December 31, 1944.

Annual Report of the Canadian National (West Indies) Steamships, Limited, for the year ended December 31, 1944.

Annual Report of the Canadian National Securities Trust for the year ended December 31, 1944.

Report of the firm of George A. Touche and Company, Auditors of the Accounts of the Canadian National Railways System, Canadian National Railways Securities Trust, Trans-Canada Air-Lines, Canadian National (West Indies) Steamships, Limited, for the year ended December 31, 1944.

together with the following items of Estimates for 1945-46:—

Vote 377, Maritime Freight Rates Act, Canadian National Railways;

Vote 378, Maritime Freight Rates Act, Railways other than Canadian National Railways;

Vote 421, Prince Edward Island Car Ferry and Terminals Deficit.

And that the Resolution passed by the House of the 7th September, 1945 referring certain Estimates to the Committee of Supply, be rescinded in so far as the said Resolution relates to votes Nos. 377, 378 and 421.

Attest.

R. T. GRAHAM,

Assistant Clerk of the House.

THURSDAY, 18th October, 1945.

Ordered,—That the said Committee be authorized to print from day to day 500 copies in English and 200 copies in French of its Minutes of Proceedings and Evidence and that Standing Order 64 be suspended in relation thereto.

Ordered,—That the said Committee be given leave to sit while the House in sitting.

Ordered,—That the quorum of the said Committee be reduced from 12 to 8 members.

Attest.

R. T. GRAHAM,
Assistant Clerk of the House.

REPORT TO THE HOUSE

THURSDAY, 18th October, 1945

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government, begs leave to present the following as its

FIRST REPORT

Your Committee recommends:

1. That it be authorized to print from day to day, 500 copies in English and 200 copies in French of its minutes of proceedings and evidence, and that Standing Order 64 be suspended in relation thereto;
 2. That it be given leave to sit while the House is sitting;
 3. That its quorum be reduced from 12 to 8 members.
- All of which is respectfully submitted.

RALPH MAYBANK,
Vice-Chairman.

Concurred in October 18, 1945.

MINUTES OF PROCEEDINGS

Room 429,

THURSDAY, 18 October, 1945

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government met this day at 11 o'clock a.m.

Members present:—Messrs. Beaudoin, Bourget, Chevrier, Coyle, Emmerson, Gibson (*Comox-Alberni*), Harkness, Harris (*Grey-Bruce*), Hazen, Jackman, LaCroix, Lockhart, Maybank, Mutch, Nicholson, Reid and Shaw.

The Clerk of the Committee invited the members to proceed with the election of the Chairman. Whereupon, Mr. Maybank proposed, seconded by Mr. Beaudoin, that Mr. Murray Clark, a member of The Committee, be elected Chairman.

And there being no other nomination the question on the motion was put and carried unanimously, and Mr. Murray Clark was declared elected Chairman.

Mr. Maybank explained that Mr. Murray Clark, the Chairman-elect, was unavoidably absent and suggested that the Committee proceed with the election of a Vice-Chairman who would preside in the absence of the former.

The Clerk having invited nominations thereto, Mr. Harris (*Grey-Bruce*) proposed, seconded by Mr. Emmerson, that Mr. Maybank be nominated Vice-Chairman. And there being no other nomination the motion was put and carried unanimously. Mr. Ralph Maybank was declared elected Vice-Chairman and he took the Chair.

The Committee decided to ask leave to print its minutes of proceedings and evidence, to sit while the House is sitting and to reduce its quorum.

On motion of Mr. Reid,

Resolved,—That the Committee ask authority to print, from day to day, 500 copies in English and 200 Copies in French of its Minutes of Proceedings and Evidence and that Standing Order 64 be suspended in relation thereto.

On motion of Mr. Reid,

Resolved,—That the Committee ask leave to sit while the House is sitting.

On motion of Mr. Nicholson,

Resolved,—That the House be asked to reduce the quorum of the Committee from 12 to 8 members.

It was agreed that Mr. Maybank, Vice-Chairman of the Committee, would present the necessary Report to the House and ask for its concurrence in the above recommendations.

Mr. Chevrier, Minister of Transport, stated that the Officers of Canadian National Railways would be available to the Committee on Monday, 22nd October or thereafter. However, the Minister added, the Officers of Trans-

Canada Air Lines might not be available for some time. Therefore, he suggested, the Committee might wish to proceed now with any business other than that which relates to Trans-Canada Air Lines before the Committee, and if necessary adjourn until such time as the Officers of Trans-Canada Air Lines are available for hearing.

Some considerable discussion followed. Some members, while recognizing that the officers of the Transport companies should not be unduly held for too long a period in Ottawa, felt that sittings should be so arranged as not to interfere too much with the duties of the members of the Committee engaged on other Committees, having regard also to the business of the House.

On motion of Mr. Hazen, it was finally agreed that the Committee would adjourn until 11 o'clock a.m. Tuesday, October 23, 1945, at which time Mr. R. C. Vaughan, Chairman and President, Mr. N. B. Walton, Executive Vice-President, and Mr. T. H. Cooper, Comptroller, of Canadian National Railways, would be heard.

Room 429,

TUESDAY, 23rd October, 1945.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government met this day at 11 o'clock a.m., Mr. Murray Clark, Chairman, presided.

Members present: Messrs. Chevrier, Clark, Coyle, Beaudoin, Bourget, Emmerson, Gibson (*Comox-Alberni*), Harkness, Harris (*Grey-Bruce*), Harris (*Danforth*), Hazen, Jackman, LaCroix, Lockhart, Maybank, Moore, Mutch, Nicholson, Picard, Reid, Shaw.

In attendance: Mr. R. C. Vaughan, Chairman and President, Mr. N. B. Walton, C.B.E., Executive Vice-President, Mr. T. H. Cooper, Comptroller, Mr. W. S. Thompson, Director of Public Relations, of the Canadian National Railways; also, Mr. H. J. Symington, C.M.G., C.R., President of Trans-Canada Air Lines and Mr. C. P. Edwards, O.B.E., Deputy-Minister of Transport.

The Chairman thanked the members for his election to the Chair and offered his apologies for his absence at the previous meeting.

Mr. Vaughan was called and made a statement to the Committee, following which he read his Annual Report of the operations of Canadian National Railways for the calendar year 1944.

In answering questions thereon from the members, Mr. Vaughan was assisted by Mr. Walton and Mr. Cooper.

At 1 o'clock p.m., the Committee adjourned to meet again the same day at 8 o'clock p.m.

The Committee met again at 8 o'clock p.m., Mr. Murray Clark, Chairman, presided.

Members present: Messrs. Chevrier, Clark, Coyle, Beaudoin, Belzile, Bourget, Emmerson, Harkness, Harris (*Grey-Bruce*), Hazen, Jackman, LaCroix, Maybank, Moore, Mutch, Nicholson, Picard, Reid, Shaw.

In attendance: The Officers of Canadian National Railways mentioned as in attendance at the morning meeting.

The Committee resumed consideration of the Annual Report of the operations of Canadian National Railways for the calendar year 1944. Mr. Vaughan was heard and assisted by Messrs. Walton Cooper and Thompson.

At the conclusion of the study of the Report Mr. Maybank proposed the adoption of the said report and the question being put, the motion was carried unanimously.

At 10.10 o'clock p.m. the Committee adjourned to meet again at 4 o'clock p.m., Wednesday, 24th October, 1945.

ANTOINE CHASSE,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

October 23, 1945.

The Standing Committee on Railways and Shipping met this day at 11 o'clock a.m. The Chairman, Mr. S. M. Clark, presided.

The CHAIRMAN: Gentlemen, I want to apologize for not being at your organization meeting. I happened to be away at the time. However, I appreciate the honour you have conferred on me of making me chairman of this committee.

I think every one realizes that the men we have here from the Canadian National Railways are busy men. I do not suggest that we should not take their time, for they are here for that purpose; but if we can run our committee as expeditiously as possible, I know they will appreciate it and I think the members should too.

It has been suggested as a course of procedure, which will be followed if it meets with your approval, that the C.N.R. report be first taken up, then the budget for the coming year. I might say that we are having two reports running pretty closely together, because another report will be here shortly, in another few months. Then perhaps the auditor for the C.N.R. could give you the picture from his point of view. Perhaps that is enough to start with. If that is agreeable to you, that is the way we shall proceed.

We have with us the president of the Canadian National Railways, in pursuance of the arrangement made at your last meeting that these officials be here. I would call on Mr. Vaughan, the president of the Canadian National Railway to give his report at this time.

Mr. R. C. VAUGHAN: I think, Mr. Chairman and members of the committee, for the benefit of the new members I might read a short resume of some things that we have accomplished. I shall do that with your permission, Mr. Chairman, and the permission of the members.

Each member of the committee has been furnished with a copy of our report for 1944 and we shall be pleased to have it examined and discussed in as much detail as the committee may desire. The report with its accompanying accounting and statistical statements is a clear resume of the business transacted by the railway during the year 1944, but in addition there have been included statistics indicating the gigantic task performed by the railway since the outbreak of war to the end of 1944. I have received many congratulatory letters since the report was published as to its style and contents and the public press also has been very kind in its complimentary expressions as to the work done by the railway and of the results which have been attained. The railway has

proved itself to be a valuable national asset in a time of grave emergency, and has clearly demonstrated its earning power and its ability to handle an immense volume of business economically as well as expeditiously.

The committee will please note the report is dated March 15th last. I point this out lest there be in any quarter a misconception as to why we are reporting at this late date on our 1944 operations. The delay in the committee's consideration of the report, of course, has been caused by the short session of the last parliament. But time marches on and I rather expect you will be more interested in our present situation than with the results obtained in 1944. Our budget both on capital and operating account for 1945 will be placed before you.

For the nine months ending September 30, 1945 our gross revenue was \$327,320,000. This was \$28,000 or 3/10 of 1 per cent less than for the corresponding period of 1944. To the end of August our revenue had been slightly larger than in the previous year, but during September the trend turned downwards and for that month we had a decrease of \$2,350,000, or 6.2 per cent. Our budget forecast is based on the assumption that our revenues in the last quarter of the year will be 6.5 per cent under 1944, in which event they will approximate \$433 millions for the full year as compared with \$441 millions in 1944, a decrease of \$8 millions or slightly less than 2 per cent. At \$433 millions they will average \$1,186,000 per day Sundays included, which indicates the tremendous volume of business depending on our railway for transportation. Prior to the war only in one year—1928—did our revenues exceed \$300 millions. The figures for the last seven years are:—

1939.....	\$203 millions
1940.....	247 "
1941.....	304 "
1942.....	375 "
1943.....	440 "
1944.....	441 "
1945.....	433 " (estimated)

For the nine months ending September 30, 1945, our operating expenses were \$265,247,000. This was \$1,690,000 or 6/10 of 1% less than for the corresponding period of 1944. Our budget forecast for the full year 1945 is for a total expense of \$354,800,000 compared with \$362,500,000 in 1944, a decrease of \$7,700,000 or slightly more than 2%.

Assuming our forecasts are found to be reasonably correct we shall have net revenue in 1945 of \$78,200,000 compared with \$78,600,000 in 1944, and after providing for other income charges and for interest payable to the public and to the government we expect to report an overall surplus of \$25 millions, or \$2 millions more than in 1944.

Some of the new members of this committee may not be aware of the provisions which we have been making in our accounts in view of the exceptional conditions which have prevailed during the war years. We have not attempted to make reports on the most favourable basis. We have been concerned to charge against revenue all normal and special costs created by war-time conditions so that no portion of such costs shall be carried forward to the post-war period.

Deferred Maintenance

Due to shortages of labour and materials, repairs and renewals not immediately essential have had to be deferred. Controls over maintenance expenditures had to be enforced so that the limited supply of labour and material could be utilized to maintain safe operating conditions. To the extent repairs and renewals not immediately essential have been deferred a reserve has been provided by direct charges to operating expenses. The reserve at the end of 1944 amounted to \$34 millions and we expect to provide a further sum of between \$6 and \$7 millions in 1945. This is a cash reserve, the funds being invested in Victory Bonds.

War Projects—Amortization

Since the outbreak of war and apart from the acquisition of additional rolling stock, approximately \$15,286,000 has been expended on capital account for so-called war projects, involving the construction, extension or improvement of tracks, yards, sidings and other railway facilities. It has been considered the end of the war will terminate the usefulness of some portion of these facilities and that in such case the capital expenditure involved, less salvage, should be amortized by charges to operating expenses. The amount so amortized to the end of 1945 will total \$3,826,000. This reserve fund is also invested in Victory Bonds.

Depreciation

Prior to the war the practice was followed on our Canadian lines of charging to operating expenses the loss when units of property were destroyed or worn out in service. This related to both fixed property and to rolling stock. In 1940 depreciation accounting was adopted with respect to rolling stock. This matter is the subject of a separate memorandum which has been prepared for the information of the committee, following a suggestion made by Mr. Jackman. During the six years 1940-1945 the total charge to operating expenses for system equipment depreciation accruals will have been \$98,427,000. The funds thus made available have been used to finance our capital expenditures.

Inventory Reserves

Notwithstanding price controls the war brought in its train substantial increases in the price of materials used in railway maintenance and operation. The purchase price of fuel now averages \$6.02 per ton against \$4.016 in 1939. Treated ties average \$1.90 each against \$1.35 and untreated ties \$1.26 each against 61 cents each. New rail costs \$7.73 per ton more and there has been an increase in the price of other railway material of about 17½%. To provide against loss which might have to be taken if there were any important recession in the post-war prices, involving a write-down of our inventories, a reserve of \$7,524,000 has been provided by charges to operating expenses. This reserve fund also is invested in Victory Bonds.

Pension Contracts

Previous to 1943 reserves had not been set up against annuity contracts issued by the railway company to employees going on pension under the 1935 contractual plan. Theretofore the practice had been to charge currently to

operating expenses the actual pension payments made at the expense of the company. Advantage has been taken of the high revenues of the war period to put the accounting for pension contracts on to a fund reserve basis. The total additional revenue which will have been set aside 1943 to 1945 under this arrangement is \$25,926,000. This reserve also is invested in Victory Bonds.

The committee I am sure will agree we have amply protected our post-war revenues against delayed wartime costs.

Apart from these special provisions we have had to shoulder higher wage rates and higher unit prices for materials. We estimate that last year alone these two factors increased our costs over the 1939 price level by \$67,823,000.

In spite of these added costs and the special provisions I have mentioned the railway has earned a substantial surplus which has been paid in to the federal treasury. While we get much satisfaction from the work we have accomplished we have also made a significant contribution to the financing of the war itself. Our surplus earnings during the six war years (1945 estimated at \$25 millions) will have amounted to \$95,780,887. This amount has been paid in to the government in cash. We have also paid to the government \$80,271,910 in cash for interest. We have paid \$66,500,000 in cash for duty and sales tax. We have invested \$77,776,000 in Victory Bonds from the reserves which I have mentioned. The total of the figures I have given is \$320,328,797. In addition to this huge sum we have financed capital expenditures out of the amount available from depreciation reserves to the extent of \$98,427,000.

That is what the *company* has done. In addition our *employees* have made Victory Bond subscriptions through our payrolls amounting to \$62,813,200. That is to the end of September, 1945. A further \$16 millions of Victory Bonds have been purchased from their pension fund contributions. I do not know what their individual income tax payments would amount to but we deducted from their 1944 pay cheques on tax account the sum of \$21,076,301.

The war has demonstrated beyond any doubt the capacity of the Canadian National Railways to handle traffic in tremendous volume and it is obvious from the figures I have given that with volume the railway can be operated at a profit. I feel it is necessary, however, to sound a note of caution. It is probable that with the war emergency over, traffic will recede from its wartime levels. To what extent it will recede we shall have to wait to find out. All the indications are that there is going to be more work in Canada than there was prior to the war and that there will be more work for the railways. In the past the railway could earn a surplus on a gross revenue of \$300 millions. The picture has changed in the interval because prices for labour and material have been substantially increased.

There has been some reduction in our interest charges but they still absorb far too large a proportion of our gross earnings. Last year 11.44% of our gross revenues were absorbed by our fixed charges. In 1939 the proportion was 26.24%. May I indicate to the committee how we compare in this respect with other major railroads? (See exhibit attached).

I am sure anyone studying these figures will be convinced that the burden of fixed charges on the Canadian National Railways is a very heavy one and one which may be more than the railway can carry if there should be any substantial decline in gross revenues and should operating costs remain at the

present level. Our greatest problem has been and will continue to be one of obtaining sufficient volume of traffic to enable us to meet our enormous interest charges. We shall continue to operate the railway as efficiently and economically as possible. That has been our policy during the war notwithstanding our greatly increased income which has been more than double what it was in 1939. It will continue to be our policy.

TOTAL DEBT AND RATIO OF FIXED CHARGES TO REVENUES

		Miles of Road Oper- ated	Operating Revenues	Total Debt	Total Fixed Charges	Ratio of Fixed Charges to Operating Revenues	
			\$	\$	\$	1939	1944
U.S. Class I Roads.....	1939	233,277	3,955,004,251	10,352,646,039	607,740,479	15.21	.....
	1944	228,624	9,435,446,955	9,830,186,255	566,400,041	.....	6.00
Pennsylvania.....	1939	10,270	430,930,778	692,114,134	79,595,750	18.47	.....
	1944	10,098	1,010,015,912	644,425,247	75,539,810	.....	7.48
New York Central.....	1939	11,008	341,086,708	685,780,343	48,103,444	14.10	.....
	1944	10,746	714,963,385	612,719,371	46,187,801	.....	6.46
Southern Pacific.....	1939	13,069	217,572,889	716,781,019	30,007,291	13.79	.....
	1944	12,595	628,223,517	580,444,416	24,660,432	.....	3.93
Atchison, Topeka and Santa Fe.	1939	13,443	160,039,967	332,127,036	11,056,699	6.91	.....
	1944	13,103	528,080,530	243,662,500	10,080,425	.....	1.91
Union Pacific.....	1939	9,901	164,253,371	359,969,867	14,221,976	8.66	.....
	1944	9,781	506,590,966	380,749,652	15,139,681	.....	2.99
Baltimore & Ohio.....	1939	6,307	161,030,252	677,153,821	20,421,656	12.68	.....
	1944	6,144	387,193,036	583,044,588	17,742,199	.....	4.58
Canadian National.....	1939	23,668	203,820,187	1,308,783,392	53,488,165	26.24	.....
	1944	23,496	441,147,510	1,274,557,778	50,474,480	.....	11.44
Canadian Pacific.....	1939	17,176	152,148,993	523,848,955	24,700,692*	16.12	.....
	1944	17,030	320,262,132	401,321,229	20,185,720*	.....	6.30

* Fixed Charges ex Soo Line Guaranteed Interest.

I shall now proceed with the reading of the report of the chairman and president of the Canadian National Railways.

Mr. MAYBANK: Before you go on to that, might I say this. In other years we very often adopted the practice of asking questions as we went along. I should like to make the suggestion that, as this report is only three or four pages in length, we wait until it is concluded before asking questions.

Mr. VAUGHAN: That would be very helpful if the members agree to it.

The CHAIRMAN: Does it meet with the approval of the committee, that Mr. Vaughan present his report before questions are asked.

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: Then go ahead, Mr. Vaughan.

Mr. VAUGHAN:

THE HONOURABLE THE MINISTER OF TRANSPORT,
OTTAWA.

Sir,

In conformity with *The Canadian National-Canadian Pacific Act, 1936*, the Board of Directors submit the following report of the operations of the Canadian National Railways for the calendar year 1944.

The fifth full year of the war, which brought victory after victory to the United Nations, made greater demands upon the people of Canada. The Canadian National Railways were again privileged to join the citizens of the dominion and its allies in meeting the challenge.

A review of the year's traffic reveals the magnitude of the work accomplished by the company. Revenue freight amounted to 80,851,179 tons and the number of passengers transported was 35,928,212. The system carried almost twice as much freight and four times as many passengers as in 1939, without serious deterioration in service. Inconveniences were kept to a minimum and carefully scrutinized with a view to correction. Over the years, the company has kept abreast of railroad development making for improvement in both equipment and methods and it was this, coupled with the efficient cooperation of the staffs and the active collaboration of the shipping and travelling public, that enabled the company to cope with the strain of the war traffic.

Gross revenues rose slightly in 1944, but with a large increase in operating expenses due to higher wage rates, higher prices of materials and additional maintenance of track and equipment, the net operating revenue was not as great as in the previous year.

As compared with 1939, the higher wage rates added \$47,823,000 to the payroll and the higher unit prices added approximately \$20,000,000 to the cost of materials.

As the result of the 1944 operations a cash surplus of \$23,027,000 has been turned over to the federal treasury, after the payment of interest due the public and the government.

The following is a summary of operating results. The full income statement appears on the opposite page.

	1944	1943
Operating revenues	\$441,147,510 35	\$440,615,954 58
Operating expenses	362,547,043 53	324,475,669 50
Net operating revenue	\$ 78,600,466 82	\$116,140,285 08
Revenue appropriated for pension reserve.....		19,069,000 00
Net operating revenue after appropriation for pension reserve	\$ 78,600,466 82	\$ 97,071,285 08
Taxes, equipment and joint facility rents.....	10,875,822 81	15,437,346 89
Net railway operating income.....	\$ 67,724,644 01	\$ 81,633,938 19
Other income, less deductions.....	Cr. 3,371,920 27	3,668,518 37
Interest on funded debt—public.....	28,135,938 36	30,998,196 32
Interest on government loans.....	19,933,701 57	18,664,848 01
Cash surplus	\$ 23,026,924 35	\$ 35,639,412 23

RESULT OF 1944 OPERATIONS

CONSOLIDATED INCOME ACCOUNT

RAILWAY OPERATING REVENUES:	1944	1943
Freight	\$321,588,728 39	\$324,899,723 64
Passenger	69,776,256 67	66,891,033 94
Mail	4,204,761 03	4,047,893 92
Express	18,008,142 96	17,490,783 01
Commercial Telegraphs.....	7,012,442 34	7,103,475 65
All other.....	20,557,178 96	20,183,044 42
TOTAL OPERATING REVENUES.....	\$441,147,510 35	\$440,615,954 58
RAILWAY OPERATING EXPENSES:		
Maintenance of Way and Structures.....	\$ 76,503,925 59	\$ 67,308,429 46
Maintenance and Depreciation of Equipment.....	80,215,292 75	72,366,530 73
Traffic	6,058,693 52	5,647,080 21
Transportation	177,889,699 03	159,477,448 33
Miscellaneous Operations.....	5,922,378 37	5,380,416 75
General	15,957,054 27	14,295,764 02
TOTAL OPERATING EXPENSES.....	\$362,547,043 53	\$324,475,669 50
NET OPERATING REVENUE.....	\$ 78,600,466 82	\$116,140,285 08
Revenue Appropriated for Pension Reserve.....	....	19,069,000 00
NET OPERATING REVENUE AFTER APPROPRIATION FOR PENSION RESERVE	\$ 78,600,466 82	\$ 97,071,285 08
Taxes	7,341,513 86	8,390,677 72
Equipment Rents—Net Debit.....	2,956,314 10	6,488,739 04
Joint Facility Rents—Net Debit.....	577,994 85	557,930 13
NET RAILWAY OPERATING INCOME.....	\$ 67,724,644 01	\$ 81,633,938 19
OTHER INCOME:		
Income from Lease of Road and Equipment.....	\$ 61,578 31	\$ 56,663 39
Miscellaneous Rent Income.....	954,858 42	864,379 75
Income from Non-transportation Property.....	598,717 23	452,410 38
Results of Separately Operated Properties.....	767,528 37	3,013,645 15
Hotel Operating Income.....	1,188,802 92	1,030,033 68
Dividend Income.....	659,726 10	685,755 62
Interest Income.....	3,923,760 98	3,255,316 57
Miscellaneous Income.....	2,367,210 34	556,359 05
TOTAL OTHER INCOME.....	\$ 10,522,182 67	\$ 9,914,563 59
DEDUCTIONS FROM INCOME:		
Rent for Leased Roads and Equipment.....	\$ 1,163,904 38	\$ 1,246,514 40
Miscellaneous Rents.....	539,891 47	529,207 28
Miscellaneous Taxes.....	90,839 21	91,427 71
Interest on Unfunded Debt.....	304,644 93	219,512 32
Amortization of Discount on Funded Debt.....	936,291 03	1,060,464 64
Miscellaneous Income Charges and Appropriations.....	4,142,362 79	3,068,782 60
Profit and Loss Items—Net Debit or <i>Credit</i>	27,671 41	30,136 27
TOTAL DEDUCTIONS FROM INCOME.....	\$ 7,150,262 40	\$ 6,246,045 22
NET INCOME AVAILABLE FOR PAYMENT OF INTEREST..	\$ 71,096,564 28	\$ 85,302,456 56
Interest on Funded Debt—Public.....	28,135,938 36	30,998,196 32
Interest on Government Loans.....	19,933,701 57	18,664,848 01
CASH SURPLUS	\$ 23,026,924 35	\$ 35,639,412 23

The property was maintained to meet the heavy traffic requirements, but shortages of labour and materials restricted certain classes of work.

The number of Canadian National men and women in the armed forces continued to grow and now represents twenty-five per cent of the peacetime staff. The problem of training substitute staff and rehabilitating those returning to the company from wartime service is receiving the attention of all officers.

The production by the company of weapons of war, including ships, showed little diminution from other war years.

During the year consideration was given to a program of post-war projects, and a special committee was actively engaged in selecting works which, by geographical distribution and the nature of the undertaking, would permit participation by the company in any government plan for post-war employment.

In addition, the company is engaged in a program of research designed to improve its facilities with the joint object of achieving economy and improving the quality of service. In particular, trends in passenger equipment design are being studied and new passenger equipment will be lighter in weight, for more economical operation, and much improved as regards the convenience and comfort of the travelling public. Attention is also being given to the design of freight equipment and locomotives, both steam and diesel, as well as to improvements of stations, terminals, road and shop facilities.

OPERATING REVENUES

Operating revenues amounted to \$441,147,000, the highest in the company's history, the increase being \$532,000 over 1943. Revenue from the transportation of freight was less by \$3,310,000, but passenger revenue increased \$2,885,000 and other revenue \$957,000. Total revenues averaged \$1,205,000 per day throughout the year.

Apart from minor adjustments, freight and passenger rates remained fixed at the pre-war level, this being in accordance with the regulations of the Wartime Prices and Trade Board.

Whereas there was an increase of some 424,000 revenue tons handled, freight revenues at \$321,589,000 were less by 1.02 per cent. This resulted from decreased movements of higher rated war and industrial materials and increased movements of lower rated products. There was also a sharp decline in movement of traffic for war projects in Alaska and Northern Canada.

Every effort was made, with the co-operation of the Transport Controller, to secure a continuance of heavy loading of freight equipment. Beneficial results were also obtained through other measures for the intensive use of rolling stock.

Notwithstanding that equipment was urgently needed for other important loadings, the company was able to meet the demand for increased grain deliveries and the necessary stocks were maintained at the Lakehead to permit of the expeditious loading of vessels there. The elevator stocks at the Lakehead have been increased during the winter months in preparation for a heavy movement down the lakes when navigation opens in the spring.

Passenger revenues reached a new high level at \$69,776,000, an increase of 4.31 per cent over 1943, and an increase of 291.62 per cent over 1939.

Increases were again reported in revenues from mail, express, sleeping cars, and hotels.

OPERATING EXPENSES

Operating expenses increased by \$38,072,000. Stated briefly, this increase was occasioned by higher wage rates in 1944 as compared with 1943 amounting

to \$23,348,000, higher prices of materials \$7,102,000, and additional maintenance of track and equipment \$5,893,000. The amounts referred to for wages and materials do not represent additional man hours or additional quantities of material, but result from the higher unit prices paid by the Railway for labour as the result of retroactive wage awards by regulatory authorities, and the increased prices paid for fuel, ties, rail and other materials used in maintenance and operation.

Of the increased charge to operating expenses of \$23,348,000 due to higher wage rates, \$18,956,000 represents the recent wage awards granted by the National War Labour Board, \$3,436,000 the additional cost of living bonus, and \$956,000 the increased wage rates on the United States lines of the System.

As regards materials, the largest item of increase over 1943 is locomotive fuel. Fuel cost in 1944 was \$43,329,000. The average price increased from \$5.37 to \$6.10 per ton, involving an added expense of \$4,906,000. New rail averaged \$57.33 per ton compared with \$55.26 in 1943. Treated ties averaged \$1.65 each compared with \$1.42 and untreated ties \$1.04 compared with 88 cents. There was an increase of 2.5 per cent in the price of other railway material.

The directors feel that more than passing attention should be directed to the higher cost of operation due to these increased unit prices for labour and material over which the management has no control.

\$10,000,000 was charged to operating expenses as provision for deferred maintenance, \$1,140,000 for amortization of war projects and \$2,375,000 for inventory reserve. The amount charged for depreciation on rolling stock was \$19,853,000, or approximately \$7,000,000 more than would be provided under average traffic conditions. These special charges have been taken up in the operating accounts, in continuance of the practice adopted in 1941, to ensure that future results will not be burdened with delayed charges arising out of wartime operations.

SURPLUS FOR THE YEAR

In the accounts below net revenue, the major changes were:—decreased taxes \$1,049,000, principally less income taxes due to less income of the Grand Trunk Western Railroad Company; decreased debit balance in the per diem account \$3,672,000, brought about by increased freight car ownership and changes in the traffic and operating conditions; decreased interest charges \$1,593,000, arising from the retirement of securities held by the public with funds borrowed from the government at current interest rates; and on the reverse side the less favourable results from the operation of Northern Alberta Railways \$1,486,000. The gross operating revenues of this railway, which is jointly owned with the Canadian Pacific Railway Company, were lower by \$3,853,000 than in the previous year.

The surplus for the year 1944 was \$23,027,000, as compared with \$35,639,000 in 1943, a decrease of \$12,612,000.

CAPITAL EXPENDITURE ACCOUNT

The capital expenditures during the year amounted to \$36,063,077, details of which are given on page 18. Of the total expenditures \$32,359,097 was for new equipment. Under hire-purchase agreements with the dominion government there were acquired 20 Mountain type locomotives and 7 Northern type locomotives, 4,762 box cars, 200 flat cars, 500 hopper cars, 250 ore cars and 54 refrigerator cars. Purchases for the Grand Trunk Western Railroad included 10 diesel switching locomotives, 1 passenger car, 200 automobile cars, and 300 gondola cars. 41 units of work equipment were also acquired.

Construction of the new line from Eastern Junction to Bout de l'Ile, on the Island of Montreal, contract for which was let on March 22nd, is nearing completion and the line will be ready for operation during the summer of 1945. The Butler Street line from Atwater Avenue, Montreal, to the west end of the Victoria Bridge (two miles) was completed. These much needed undertakings will be of material assistance to operations and give improved service to the public.

FINANCE

The details of funded debt and government loans outstanding are shown on pages 19 and 20. Funded debt was reduced during the year by \$114,778,566 and government loans increased \$107,780,106—a net reduction of \$6,998,460. Details are as under:—

Funded Debt Retirements

2½% 7-year guaranteed bonds, matured February 1, 1944	\$ 15,500,000 00
3% 9-year guaranteed bonds, matured May 1, 1944	35,000,000 00
5% 40-year guaranteed gold bonds, called for redemption July 1, 1944, at \$105—par value	56,684,000 00
Various securities repatriated under the arrangements referred to in the 1942 annual report—par value	1,805,079 32
Equipment trusts—annual principal payments	5,789,000 00
Fractional adjustments	487 35
Reduction in funded debt	<u>\$114,778,566 67</u>

New Government Loans

Balance of 1943 refunding requirements, etc.	\$ 1,750,636 92
Loans to retire the three issues of bonds referred to above, at par; and and various securities repatriated at market value	108,945,843 56
Loan to acquire Atlantic and St. Lawrence Railroad Company shares under repatriation arrangements	57,846 26
Loans under equipment hire-purchase agreement 1943	17,753,889 06
Loans under equipment hire-purchase agreement 1944	13,680,405 62
Total New Loans	<u>\$142,188,621 42</u>
Loans repaid out of 1943 surplus earnings	\$ 5,639,412 23
Loans repaid out of 1944 surplus earnings	20,000,000 00
Equipment hire-purchase annual principal payments	2,891,775 68
Payment under Financing and Guarantee Act, 1943. The amount available from reserves for depreciation and debt discount amortization in 1943 exceeded the total capital requirements for the year	5,877,326 94
Total repayments	<u>\$ 34,408,514 85</u>
Increase in government loans	<u>\$107,780,106 57</u>
Net reduction in debt during the year	<u>\$ 6,998,460 10</u>

GENERAL WAGE NEGOTIATIONS

Pursuant to the provisions of the Wartime Wage Control Order 1943, P.C. 9384, the cost of living bonus was incorporated in the basic rates of pay.

Six days' vacation with pay was awarded by the National War Labour Board for maintenance of way employees and other hourly rated employees not previously receiving vacations with pay.

The National War Labour Board directed the application of a general wage award of six cents per hour or \$12.48 per month for steam line railway employees in Canada not above the rank of foreman.

Numerous applications for increases in basic rates of pay continue to be received from labour organizations. Hearings will be held before the National War Labour Board.

CANADIAN NATIONAL EXPRESS

Owing to the completion of military contracts there was a considerable decrease in the number of carloads of war materials carried by the express department, but the volume of merchandise traffic was exceptionally heavy. Shipments aggregated 15,780,767, an increase of 7.55 per cent over 1943. Fruit and vegetable traffic was the heaviest on record.

Express revenues at \$17,375,000 were the highest in the company's history but, in common with other departments, operating expenses were affected by wage and other increases.

CANADIAN NATIONAL TELEGRAPHS

The volume of business in 1944 was on a level with the peak year 1943, revenues amounting to \$6,998,000. Leased wire revenues, including those from broadcasting circuits, were the largest on record.

During the year Canadian National Telegraphs completed its large construction program for the Department of National Defence in connection with the Pacific Communications Project and Defence Communications Limited, as well as furnishing the Department of Transport with a network of telephone despatching circuits for airways traffic control. Substantial improvements in equipment were also made in the teletype network used by Trans-Canada Air Lines across the continent.

HOTEL OPERATIONS

The combined revenues of the year-round hotels amounted to \$5,639,000, the highest in the history of the Hotel Department. Despite the difficulty in obtaining supplies under wartime restrictions, and the extreme shortage of skilled labour, service has been maintained at a high standard. The three resort hotels, Jasper Park Lodge, Minaki Lodge, and Pictou Lodge, were not operated in 1944.

The Hotel Vancouver, operated by a separate company for the Canadian National and Canadian Pacific Railways, had a very large measure of patronage.

SLEEPING AND DINING CARS

The company, under war conditions, has been unable to augment its supply of sleeping and dining cars. War traffic has put a great strain on both equipment and personnel, but the public has shown an understanding of the difficulties.

The number of dining, cafe, buffet, commissary, kitchen, sleeping, tourist and parlor cars in service in 1939 was 531, and the number in service in 1944 was 535.

Meals served in the company's dining cars totalled 4,903,968. This was more than five times the number served in 1939.

TRANS-CANADA AIR LINES

In 1944 the number of passengers carried by Trans-Canada Air Lines increased by 12 per cent, air express volume by 4 per cent and air mail by .3 per cent. The trans-Atlantic air service operated by T.C.A. for the Dominion government was expanded. A large amount of military aircraft overhaul was carried on in the T.C.A. shops. During the year plans were made for additional domestic and international services.

OTHER ACTIVITIES

In addition to providing railway transportation, air service, telegraph and express service and hotel accommodation, the National System continues to make its contribution to the nation's war effort in a number of other ways. Canadian National Steamships are playing a distinguished part. The Prince Rupert Dry Dock and Shipyard, National Railways Munitions Limited and the Company's shops are meeting their war contract schedules.

The Railways had the honour of operating two special trains from Halifax to Quebec for Prime Minister Churchill and his party attending the Second Quebec Conference in September. It also handled the trains for Mr. Churchill and President Roosevelt from Quebec en route to Hyde Park, N.Y. and to Highland, N.Y. at the conclusion of the conference. The Railway participated in the movement of a special train from Washington to Montreal and return carrying some 300 delegates to the United Nations Relief and Rehabilitation Administration Conference in September. In October, fifty delegates of the British Commonwealth travelled by Canadian National from Montreal to Chicago to attend the International Civil Aviation Conference.

VICTORY LOAN CAMPAIGNS

In the Victory Loan campaigns held during the year, Canadian National employees subscribed \$22,860,550, an increase of \$7,435,950 over 1943. Contributions by personnel of Trans-Canada Air Lines, included in this total, amounted to \$568,600 and those of National Railways Munitions Limited to \$265,850. The number of subscribers to the Seventh Victory Loan was 90,779.

Through the payroll deduction plan employees invested a further \$1,465,036 in War Savings Certificates during the year.

Apart from the individual purchases by employees, the Company subscribed \$27,646,500 to the 1944 loans for account of reserve and other funds.

The employees on lines in the United States subscribed substantially for United States war bonds during the year.

THE STAFF

The railway is proud indeed of its employees who have enlisted for active service. They have done a magnificent job in all branches of the armed forces on all the battle fronts, at sea, on land and in the air. The company will remember and honour those who have given their lives for their country, and to their bereaved families the directors extend their deepest sympathy.

The company is making the necessary plans for the re-assimilation of its employees on their discharge from the armed forces. Already some 1,400 have been welcomed back to the railway's service. A committee has been set up at headquarters to aid in the task of re-establishing all employees who wish to return to the service and every effort will be made to ensure satisfactory employment for those who by reason of disability are unable to resume their pre-war occupations.

Thanks are expressed to the men and women of the system whose duties have kept them on the home front for their loyal co-operation in the common task.

The CHAIRMAN: Gentlemen, would you like to take the balance sheet page by page, or have you some comments which you would like to make first, following Mr. Vaughan's statement?

Mr. EMMERSON: I would like to ask a question bearing on the last part of the statement with regard to absorption of men who served overseas and have been discharged from the army, more particularly with regard to apprentices

in the shops who replaced these men as they enlisted—that is, other apprentices were started on their apprenticeship. These soldiers are returning and are coming back to work. What does that mean so far as the young boys who have started during the war on their apprenticeship are concerned?

Mr. VAUGHAN: Do you mean what allowance has been made for their war service?

Mr. EMMERSON: No, I am thinking of the young men who were in there on their apprenticeship, not those serving overseas. Will they be displaced on the return of these other apprentices or will they complete their time?

Mr. VAUGHAN: If it is necessary to do so, that will be done. Of course, first consideration will be given to the men who went overseas.

Mr. EMMERSON: Yes, but is it going to mean that?

Mr. VAUGHAN: We cannot say what will be done there until the situation develops. We are not going to lay any of them off if we can avoid it.

Mr. WALTON: As Mr. Vaughan has said, I think much will depend upon developments. Naturally, the men who have served overseas and come back are entitled to first consideration. It may work out satisfactorily for all concerned because we have taken on fewer apprentices during the war. In many cases there were no available suitable young men; so it may develop that there is room for everybody. If not, to put it briefly, the returned men get the preference over the men who are here.

Mr. EMMERSON: And should many of the young men have to be laid off it would only be a temporary lay-off until they can be again absorbed to complete their apprenticeship?

Mr. WALTON: Yes, they are allowed to retain their former service rating and come in again whenever there is a call for additional men.

Mr. MAYBANK: You keep them on the roster?

Mr. WALTON: Yes.

Mr. MUTCH: In the case of personnel who were apprentices at the time that they enlisted, have you had a sufficient number of them back to enable you to state whether generally they are satisfied to go back and complete their apprenticeship?

Mr. VAUGHAN: I think our experience is that most of them are satisfied to come back and quite a number have come back.

Mr. MUTCH: They may be four or five years older and still in the apprentice class.

Mr. WALTON: Some of them have been in positions where their war service was a direct addition to their experience as mechanics; for example, men who have been working as naval artificers and trades like that, and that experience works in with their work if they had been apprentice machinists.

Mr. MUTCH: That was to be my next question. With regard to these men who have been employed, for instance, as machinists or mechanics or artificers in the services, do you give them credit on their apprenticeship?

Mr. WALTON: Yes, where their employment in war service has been of a nature that couples in with the railway work that is allowed as qualifying experience.

Mr. MAYBANK: The labour unions have something to say. Is it a fact that they co-operate fully?

Mr. WALTON: Yes, this whole arrangement has been by co-operation with the unions, sir, and the whole thing has been worked out in a mutually satisfactory way.

Mr. EMMERSON: I have one more question to ask. Take the case of an apprentice who enlisted and became a casualty or suffered a disability to such

an extent that he cannot continue on in that particular craft—he may be a boilermaker—now, suppose he wanted to continue in some other craft that would be permitted by the medical officer, what could be done for him?

Mr. VAUGHAN: We have a committee set up to deal with all these cases, and they would endeavour to put him in some satisfactory position.

Mr. EMMERSON: There would be an endeavour to place him?

Mr. VAUGHAN: Yes, we have a committee set up especially to deal with these sort of cases.

Mr. BEAUDOIN: I understand that the employees who were hired during the war to replace service men were hired on a temporary basis; they were not allowed to believe that their jobs would be permanent?

Mr. WALTON: In all the different departments the date that a man starts to work establishes his seniority. Now, as all the men who went into the armed forces were assured of continuity of service they automatically are senior to those who came in later during the war years; so that the relative position between the two groups—the men who were in the armed forces and those who were not—is automatic.

Mr. BEAUDOIN: Your company has many post-war projects, according to your report. A special committee has been instituted and has listed certain works which would enable your company to participate in the post-war employment projects. Could you give us a list of the post-war projects?

Mr. VAUGHAN: There was a committee set up by the House to deal with all these matters, and we, in common with other interests, submitted a list at that time. There is a list on file in some department of the government.

Mr. MAYBANK: The list is also in the report of that committee. It was put in verbatim in the proceedings of the Reconstruction Committee of last year.

Mr. BEAUDOIN: Of last year?

Mr. MAYBANK: Yes. What was the amount you set at that time in that committee which you estimated you would be able to expend in this fashion?

Mr. VAUGHAN: I do not remember the exact amount; we divided it into several categories.

Mr. MAYBANK: I remember it was a large sum.

Mr. VAUGHAN: Yes, we did point out that we ourselves did not feel like spending and did not propose to spend any money unless we could see some return on it, but if the government expected to give some assistance from a reconstruction fund we would be able carry on certain work on that basis.

Mr. MUTCH: The reserves which you have created for the express purpose of completing maintenance which you have not been able to do and furnishing rolling stock is in itself a help.

Mr. VAUGHAN: Exactly; but those reserves were not created for new capital work.

Mr. MUTCH: They do create jobs.

Mr. VAUGHAN: Yes, undoubtedly, they will create a lot of jobs.

Mr. BEAUDOIN: I notice with regard to the subject of negotiations on wage increases that the employees have already been granted by the National War Labour Board six cents per hour increase. There is also the statement that many more demands for wage increases are now before the National War Labour Board. Could you give us an idea of what are the new wage increases?

Mr. VAUGHAN: We have got applications. We have to bear in mind that this is a 1944 report; increases have been granted since; and we have now before us applications from many of the different classes of labour in our employ, and those applications will go before the War Labour Board in due course. The total amount involved would probably be \$25,000,000—that represents all the requests. I do not think I have a list here, but I have a list some place of the various organizations' requests.

Mr. MAYBANK: Would it not be a fact that you have them from practically every organization?

Mr. VAUGHAN: We have that here some place. I could probably get it for you, but we have so many papers before us here that I cannot find the information at the moment. It represents applications from many classes of labour.

Mr. HAZEN: Did you say it would amount to \$25,000,000?

Mr. VAUGHAN: Pretty close to that.

Mr. HAZEN: If you had to pay that amount then, instead of having a surplus of \$23,000,000 last year, you would have a deficit?

Mr. VAUGHAN: That would be quite true.

Mr. HAZEN: And that deficit has to be paid by the taxpayers of the country?

Mr. VAUGHAN: Quite so. We do not expect to have to pay anything like that amount, though.

Mr. MAYBANK: I think that is a bargaining figure.

Mr. VAUGHAN: I see at the present time there are applications presently before the National War Labour Board for \$13,547,000 and then there are others pending that have not yet reached the Board.

Mr. BEAUDOIN: This is not a joint submission.

Mr. LOCKHART: Could I have those figures repeated?

Mr. WALTON: \$13,547,997. I think it should be emphasized that these are applications before the National War Labour Board and what the outcome will be we do not know.

Mr. BEAUDOIN: That is not a joint submission; it is made by the union?

Mr. WALTON: Yes.

Mr. VAUGHAN: Our position is that we have told the men we could not afford to pay these wages and they have been referred to the War Labour Board.

Mr. REID: If there is a decline in passenger and freight traffic will there be a proportionate drop in the personnel—the employees?

Mr. VAUGHAN: Undoubtedly, as our traffic goes down we will have to reduce our expenses, and the only way or the principal way of doing that is to reduce the number of employees. We cannot get away from it.

Mr. MAYBANK: Personnel now numbers about 100,000?

Mr. VAUGHAN: Approximately.

Mr. LOCKHART: Will there be any reduction in wage scales? Will the present wage scales, as awarded, be maintained on a permanent basis, or will there be reductions?

Mr. VAUGHAN: They have already been granted by the National War Labour Board at Ottawa as permanent increases. They have not been given as war bonuses.

Mr. NICHOLSON: The president mentioned the reduction of labour costs. As a member of the committee during the war years I wish to express my own personal appreciation to the president and the officers and staff of the Canadian National Railways for the wonderful job they have done during the war years. I was down in Halifax recently when the New Amsterdam and the Ile de France arrived over the week-end, and I never realized before what a tremendous organizational job it is to get those troops moving out in the course of a short time. They had to see that the troops were moved to British Columbia and Alberta and all other parts of Canada and provide sleeping cars and dining cars and all other facilities. In connection with the point we were discussing, I would like to ask the president to enlarge on the last paragraph on page 5 of his brief where he says that the burden of fixed charges on the Canadian National Railways is a very heavy one and one which may be more than the

railway can carry if there should be any substantial decline in gross revenues and should operating costs remain at the present level. I wonder if Mr. Vaughan could give us some indication as to what sort of adjustment there should be to bring the ratio of fixed charges and operating revenue in line with those of the Canadian Pacific, for example?

Mr. VAUGHAN: We think that our ratio of gross earnings to fixed charges should at least be about on the same average as class 1 railroads in the United States, which is almost half what it is in the Canadian National Railways.

Mr. NICHOLSON: In terms of dollars and cents, how much is involved in your capital?

Mr. VAUGHAN: Last year it would have been \$23,000,000 or \$24,000,000 as against \$45,000,000 or \$46,000,000.

Mr. NICHOLSON: That would be half a billion dollars; you would have to write your capital down.

Mr. VAUGHAN: Yes, while we have this traffic we can meet those charges, but I think it is only fair to point out that when traffic declines, if wages remain as they are, there is bound to be a different showing.

Mr. NICHOLSON: What attempts have you made during the years to get your capital brought down?

Mr. VAUGHAN: We have accomplished quite a bit. The maximum fixed charges in 1932 were \$56,000,000, and we have reduced them down to below \$46,000,000.

Mr. NICHOLSON: That still represents a large amount. What was your point precisely: to have the government of the country face up to your capital structure and give you a chance to operate on the same basis as American railways, for example?

Mr. VAUGHAN: There have been many discussions, as the minister knows, and he might want to say something himself.

Hon. Mr. CHEVRIER: The only thing I can say with reference to that is as to what has already been done in the Capital Revision Act. You probably remember that an amendment was brought in to amend the Act the other day and certain general statements were made having to do with the different method of revising the capital of the Canadian National Railways. That was done in 1937 under the Act of that time.

Mr. VAUGHAN: I think I might point out that at that time none of our capital was written down—

Mr. COOPER: That was so as regards debt held by the public.

Mr. VAUGHAN: None of the public debt was written down?

Mr. COOPER: There was no reduction in the debt to the public.

Mr. MAYBANK: As a matter of fact, it comes to this, that the only way to improve that situation, barring a very long time of exceptionally good net revenue, is for some person to lift that load of debt off the railroad, and that person is the government of Canada. Is not that what it comes down to?

Mr. VAUGHAN: That is so.

Mr. JACKMAN: We seem to be jumping around and the subjects do not check up. How much was written off by that Capital Revision Act? Have we now to give consideration to this problem?

Hon. Mr. CHEVRIER: I wonder if we could not discuss that when we come to the report on the securities trust?

Mr. JACKMAN: Any time is suitable, but we started off this way. Now, may I ask about these apprentices in the services who are now being taken back? Mr. Walton said they had to have qualifying experience, implication being that the military experience—

Mr. WALTON: I did not mean they had to have qualifying experience before they got back, but that where their work was comparable to the work they had left on the railway that did count in advancing them and qualify them for graduating out of the apprentice class.

Mr. JACKMAN: Is that a rather rigid qualification put in there, because after all, while the movement of supplies and troops is very essential to the military authorities nevertheless most of the men are in the fighting commands?

Mr. WALTON: The point we cannot ignore is that the apprentice is working toward the point where he graduates from the apprentice class and becomes a fully qualified man in his trade, whether as a machinist, a boilermaker or whatever it may be. If he, by any chance, is given his rating as a machinist when he has not properly learned his trade then he is of no use to himself or to the railway or to any other employer as a machinist; we have to have some record of his qualifications for his rating as a machinist, so to speak, before he can take over that work. It is a matter of the practical working out of the finishing of his trade, so to speak.

Mr. JACKMAN: With regard to the boys who have had this qualifying experience in the armed services, there is no objection on the part of the unions to advancing them to master mechanics, is there?

Mr. VAUGHAN: No, they have gone along with that.

Mr. JACKMAN: Do the unions allow you to give full priority if the employee has been in the services; there is no line of seniority by reason of military services?

Mr. WALTON: No. That was agreed to by the company at the outset of the war; and in order to avoid any misunderstanding it was reduced to the form of an agreement with the respective brotherhoods for the various classes of employees. They are very glad to go along with it; and there has been no difficulty on that score at all.

Mr. JACKMAN: The pension plan was kept operating, I believe, as far as the company is concerned?

Mr. VAUGHAN: That is correct.

Mr. HARKNESS: What is the position of a man who joined up who would have become a passenger agent in Calgary, but during the time he was away somebody else, who was junior to him, might get that job?

Mr. VAUGHAN: We have obligated ourselves to re-employ each one of these men who left our services to enter war services in at least as good a position as he would have had had he remained; so he would not have to take second place to some man who had been junior to him and had received promotion during the war.

Mr. JACKMAN: In other words, he is fully protected.

Mr. VAUGHAN: Yes, he would not suffer at all by reason of his overseas service.

Mr. MAYBANK: I suppose you would have more difficulty in that regard with offices than in cases where there is seniority?

Mr. VAUGHAN: Yes.

Mr. MAYBANK: You cannot do it in offices, can you?

Mr. VAUGHAN: We are following it out pretty well. There are many difficulties. We have had men who have gone over as office boys and have come back as squadron leaders, and we have had a man who had gone over as a clerk and come back as a major general.

Mr. MAYBANK: Some one of them might have become president?.

Mr. VAUGHAN: Yes, As I said, we have a committee studying these things, and we are trying to put these people in a suitable place.

Mr. WALTON: Out of some 1,500 employees who had returned there were four cases in which there was some difficulty as to just where they could be fitted in, and these cases are being dealt with.

Mr. JACKMAN: Do you have a retiring age?

Mr. VAUGHAN: Yes, 65 is our compulsory age. A man may retire at 60 after 35 years of service.

Mr. JACKMAN: And he gets all the pension?

Mr. VAUGHAN: He gets what he has earned up to the time of his retirement.

Mr. REID: Is it contributory?

Mr. VAUGHAN: The company matches the contributions of the men up to 5 per cent of their wages.

Mr. JACKMAN: I know you have several pension plans, but about what what would be the average percentage of a man's earning capacity if he retires at 65—would it be 30 per cent?

Mr. COOPER: The average pension under the present plan is \$503 a year.

Mr. JACKMAN: At 65?

Mr. COOPER: Yes, at 65.

Mr. JACKMAN: Is that likely to increase owing to the more modern pension plans that have been introduced in more recent years?

Mr. VAUGHAN: We have not altered our pension scheme except that we have changed one or two of our rules. For example, up until recently a man could not retire before age 65, regardless of how much service he had, unless he was incapacitated, now he can retire at 60 years of age if he has a minimum of 35 years' service. We have altered some of the rules, but the basic pension plan has not been altered.

Mr. JACKMAN: A man cannot look forward to retirement in the near future and getting an average of much better than \$503?

Mr. VAUGHAN: No, I do not think so.

Mr. COOPER: The present arrangement is that if he contributes 5 per cent, his pension will not be less than it would have been under the old rules where it was 1 per cent for each year of service.

Mr. JACKMAN: You may have noticed that 5 per cent used to be the maximum that a company was allowed to deduct, and the suggestion was made by Mr. Ilsley that it be raised to 9 per cent if it be agreeable to the company.

Mr. COOPER: He now permits a deduction for tax purposes up to \$900 a year. Our plan, of course, does permit an employee to contribute up to 10 per cent, but the company will only match up to 5 per cent.

Mr. JACKMAN: You have a few who do not contribute.

Mr. COOPER: That is so.

Mr. JACKMAN: Would you have as many as a third or half?

Mr. COOPER: I think you are about right as to the proportion. I believe that under the budget proposals, which will permit the deduction of pension contribution for tax purposes, there will be an incentive to our employees to contribute, which they did not have prior to the amendment which Mr. Ilsley has made.

Mr. JACKMAN: You have had a 5 per cent maximum, \$600, for some years now—now that is to be increased in order to allow a fund to be built up, which would more adequately take care of a man's old age?

Mr. MUTCH: Is the pension optional?

Mr. COOPER: The contribution is optional. Of course, Mr. Ilsley was speaking of a pension equal to one-half of the salary.

Mr. JACKMAN: That was the desired objective.

Mr. COOPER: Very few of us have any hope of getting anything like that.

Mr. WALTON: There are a lot of temporary employees not in the fund.

Mr. JACKMAN: Are you faced with a shortage of help on the railways?

Mr. VAUGHAN: In some classes we are still short of help, but men are coming back now and we think that in six months or a year's time that situation will correct itself.

Mr. SHAW: Mr. Vaughan, you have a compulsory retirement age of 65, but I understand that you did grant extensions beyond that age. Can you give us the number who have continued to carry on beyond 65?

Mr. VAUGHAN: We did grant extensions, particularly during the war. In fact, we asked such men as mechanics and telegraphers who had been retired to come back into our service. As the labour situation corrects itself, these men will go out on their pension immediately. Apart from this I do not suppose we have half a dozen men in the service who have had their service extended beyond 65 years of age; they are nearly all specially trained technical men whom we have had to keep on due to the shortage or inability to get men trained in a particular class.

Mr. SHAW: How many have been brought back from retirement to the service?

Mr. VAUGHAN: Are you referring to mechanics and telegraphers?

Mr. SHAW: I should like an answer that is all-embracing, if possible.

Mr. COOPER: At the present time we have 462 people who are on extension in the service; that is, beyond the age of 65.

Mr. SHAW: I have one other question. Have you any idea of the percentage of former employees who went into the services, who have come back and requested reinstatement?

Mr. VAUGHAN: Yes.

Mr. COOPER: The proportion brought back from retirement has been very small.

Mr. SHAW: A very small percentage?

Mr. COOPER: Very small.

Mr. WALTON: Just to make the situation clear, I might say that arrangements are already in hand, for those who were brought back in and who were continued beyond the age of 65, to terminate those extensions. In the classes such as engineers, conductors, firemen and brakemen, they are already running out, there may be a few extensions yet, but as they reach the end of that extension it will not be renewed, and new extensions are not being granted. The same applies in the shops to mechanics and so on. Telegraphers are still short. But just as soon as the situation permits in any of those departments, we are bringing to an end these services over age 65.

Mr. VAUGHAN: I think this will perhaps answer part of your question. The number of employees resuming service after being discharged from the armed forces up to September 30, 1945, was 3,269.

Mr. SHAW: Out of about 25,000?

Mr. VAUGHAN: Hardly 25,000; something nearer 20,000 went overseas.

Mr. SHAW: Can it be assumed as reasonable that applications will not come from a larger percentage than that for reinstatement?

Mr. VAUGHAN: I have no doubt that most of these men will come back to our service. We feel that they will.

Mr. JACKMAN: In those classifications where you have no shortage of men now, largely because of the re-employment of ex-service personnel, you have had to let go some of the temporarily employed men during the war?

Mr. WALTON: Yes, some.

Mr. JACKMAN: Have you had to let them out of the service or have you been able to transfer them? What I want to find out is this: what is their reaction? You are going to have many more men, as Mr. Vaughan has suggested, applying for re-entry into the railway service; and I want to find out whether or not you expect to have a real problem on your hands.

Mr. WALTON: We will take care of any we can, but there will be some inevitably who will be dropped. Just what that number will amount to it is difficult to say. In the maintenance of way department, for track work, starting next spring we will require a large number of men. If men of that class are available, there will be a very good number required.

Mr. JACKMAN: When you transfer a man from one class of work to another, what happens? Suppose he was in the shop and you want to put him out on the maintenance of way. Do you have to go through National Selective Service?

Mr. WALTON: No; not as long as he stays in our organization.

Mr. VAUGHAN: Not unless he had left our service; we would not have to do that, unless that were the case.

Mr. WALTON: National Selective Service contemplates separation notice. If you do not separate from your employment, you do not have to go through National Selective Service.

Mr. LOCKHART: You can transfer without permission?

Mr. VAUGHAN: Yes.

Mr. HARKNESS: Could you tell us what proportion of your revenues were derived both from the point of view of freight and passengers from the government, from hauling troops and government war supplies?

Mr. VAUGHAN: That question was asked last year, but it would be impossible for us to separate our ordinary revenues from that which might be attributed to war revenue; because they are all mixed up and the same firms are shipping war materials and other materials. It would be a very difficult matter to segregate them.

Mr. HARKNESS: What I was trying to get at was what reduction in revenue you would likely suffer due to the ending of that traffic.

Mr. VAUGHAN: That remains to be seen. It depends upon the general condition of industry in Canada. Undoubtedly, during the four war years, or the five or six war years quite a substantial proportion of our increased revenue has been due to the movement of war materials and troops.

Mr. HARKNESS: No doubt you have made estimates as to what would be the loss of revenue because of that?

Mr. VAUGHAN: Have we any figures on that, Mr. Cooper?

Mr. COOPER: No, sir; we have not considered the 1946 budget yet.

Mr. VAUGHAN: No. When we deal with our 1945 report, we will also deal with our 1946 budget. I presume we will be dealing with that 1945 report about March or thereabouts.

Mr. JACKMAN: Mr. Vaughan, when you have commanded by the army all possible cars for troop movements, as at the present time, sending cars from Ontario, and elsewhere probably, to Halifax, what do you charge for them? After all, the cars take perhaps three or four days or a week in order to go down there and bring the boys home. How do you assess your charges for that?

Mr. VAUGHAN: There are special rates, which I think Mr. Cooper has on record here. The rates charged the Department of National Defence on that account are as follow: 250 or more, 100 miles or more, $1\frac{3}{4}$ cents per mile, all ranks; 250 or more, less than 100 miles, $2\frac{3}{4}$ cents for officers, $1\frac{2}{3}$ cents for other ranks. Then there are various other rates. I think what you have in mind, Mr. Jackman, is what we assess the department, for bringing empty cars from Vancouver to Halifax to bring the troops up to Montreal and points west.

Mr. JACKMAN: Are you charging enough to the proper department?

Mr. VAUGHAN: I think the rates are low, but we cannot get any more.

Mr. WALTON: Of course, as far as handling the equipment for that purpose is concerned, we do not get anything for that.

Mr. VAUGHAN: No.

Mr. WALTON: We have to place the equipment in position for this business, and then we get those rates.

Mr. JACKMAN: You must be losing tremendously from the operating point of view.

Mr. VAUGHAN: There is very little money in it. Of course, Halifax is an exclusive point on our line, and being the principal point of embarkation and debarkation, we have to handle everything in and out of Halifax. We have to haul cars sometimes long distances to accumulate enough of them to take care of the troops from a vessel such as the Queen Elizabeth which will have 12,600 troops on board. Of course, the C.P.R. will supply some of the equipment, but it will be turned over to us at Saint John. We will move their empty equipment from Saint John, and then we will turn back some of the trains to them for which they have supplied empty equipment, back at Saint John again. But we have to move everything for that entire 278 miles.

Mr. JACKMAN: In view of the fact that you have to mobilize all these cars there, are you not bound to lose?

Mr. VAUGHAN: We have to mobilize and service all the cars and trains at Halifax.

Mr. JACKMAN: Are you not bound to lose on that particular operation, in view of the fact that you are probably making enough on some other aspect of troop movements?

Mr. VAUGHAN: Passenger traffic or troop movement is like everything else. If you get it in sufficient volume, a little money can be made. We do not think we have lost anything in the movement of troops, although the rates charged are low. But we did not think it was opportune for us during the war to try to get increased rates for the carriage of troops. Those rates were all agreed upon and were considered as fair and reasonable at the time. The same rates are, of course, paid to the other railroads as are paid to us. We all get the same rates.

Mr. REID: Would not the great number of men coming to Halifax compensate you to a considerable extent for the equipment you have to provide? If you were sending down for 100 men you would have to send down a certain amount of equipment and a certain number of crew, as you would if you send down for 12,000 men. The extra number would compensate the company, would it not?

Mr. VAUGHAN: Yes.

Mr. REID: It compensates you in the great number you handle from Halifax.

Mr. WALTON: It largely means an empty movement in one direction in order to get the equipment placed, and that is a non-revenue movement in one direction. That is substantially what it means.

Mr. VAUGHAN: There is very little profit, if any, in the movement of troops, because we have so much empty haulage of equipment.

Mr. NICHOLSON: How about the movement of troops from Halifax to Calgary, for example? Do you move them all the way over the C.N.R. or where do you turn them over to the C.P.R.?

Mr. VAUGHAN: The business is divided fairly well between the two companies. On account of our larger mileage and as we originate most of the traffic, we handle more of the troops on the C.N.R. than the C.P.R. do. That is only natural. We handle trains from Halifax right through to Vancouver and right through to Edmonton and right through to Winnipeg; and the C.P.R. may handle similar trains via Saint John. We would deliver them to them at Saint John. We could not supply all the equipment for all the troop movements.

Mr. HAZEN: In your report to the Minister of Transport on March 15 1945, which you read, there is an item, "Revenue appropriated for pension reserve, 1943, \$19,069,000." This year, or rather for 1944 nothing was appropriated.

Mr. VAUGHAN: Something for that has gone into ordinary expenses.

Mr. HAZEN: Why was nothing appropriated in 1944?

Mr. VAUGHAN: Mr. Cooper will answer that.

Mr. COOPER: 1943 was the year in which we placed our pension contracts on a fund reserve basis, and we then had to take up the arrears on all contracts issued from 1935 to 1943. \$19,000,000 represents the arrears prior to 1943. The amount chargeable for that year itself was included in operating expenses and likewise in 1944, the charge for the contracts issued during 1944 was taken up as an ordinary operating cost.

Mr. HAZEN: It sets out, in the first statement that Mr. Vaughan read, that the total additional revenue which will have been set aside, 1943 to 1945, under this arrangement is \$25,926,000.

Mr. COOPER: Mr. Vaughan's statement is speaking as if we had reached the end of 1945. The situation is that the cost applicable prior to the year 1943 was \$19,000,000. The charge for 1943, 1944 and 1945, which is in the neighbourhood of \$2,000,000 a year, is taken up in the operating costs of each of those three years; and that is why we say that as of the end of 1945, the cumulative figure would amount to \$25,000,000.

Mr. HAZEN: It appears from this statement to the minister that the net operating revenue for 1943 was \$116,140,000. In 1944 it had dropped to \$78,600,000; and the drop apparently was due or largely due to the fact that operating expenses increased by \$38,072,000 as stated on page 7.

Mr. VAUGHAN: Yes.

Mr. HAZEN: This \$38,072,000 increase in operating expenses was made up of \$23,348,000 higher prices of materials—

Mr. JACKMAN: No, wages.

Mr. HAZEN: Pardon me. It was made up of \$23,348,000 higher wage rates and \$7,102,000 higher prices of material. Is that right?

Mr. VAUGHAN: Yes.

Mr. HAZEN: Then you go on in your report and you say, "The directors feel that more than passing attention should be directed to the higher cost of operation due to these increased unit prices for labour and material over which the management has no control."

Mr. VAUGHAN: That is right.

Mr. HAZEN: I should like to ask you, Mr. Vaughan, if you think this committee should direct their attention to this matter; and if you think they should direct their attention to it, have you any suggestions to make as to how they should approach it and how they should deal with it?

Mr. VAUGHAN: That is a difficult question to answer, Mr. Hazen. After all, these bodies that have granted these wage increases have been Boards that have been appointed by the government. They have heard the evidence pro and con in connection with these applications for wage increases, and they have come to their decision, apparently based on the evidence given to them. I presume the increases have been granted largely due to what is said to be the increased cost of living and so on. I would not think that this committee could do very much about it.

Mr. REID: What about the cost of materials? I notice that fuel oil has gone up by at least 14%; coal has gone up; new rail has advanced and the price of steel. Some of these articles were under the price ceilings. Evidently something has escaped the price ceiling.

Mr. VAUGHAN: That is true. When some of the steel mills wanted an increase in the price of their products, it was felt that the ordinary consumer of steel could not pay. Apparently in Ottawa they thought the railways were doing pretty well and they could afford to pay, so they selected some of the commodities the railways used and advanced the price.

Mr. REID: And they went over the ceiling. Those steel prices were not under the ceiling, so they made the railways the goat.

Mr. VAUGHAN: Those prices were ceiling prices. That ceiling price was raised by the wartime price control on some of these commodities that the railways used. That was true of other commodities such as ties and lumber. All those prices were increased very substantially.

Mr. REID: Do you think the raise was allowed so the steel companies could get a little more from the railway companies on their steel?

Mr. VAUGHAN: Well, it was felt that the railways used certain steel commodities that no one else used, such as tracks fastenings, steel rails and things of that kind; and apparently at that time if the steel mills received an advance on the products that the railways used that would satisfy them for the time being.

Mr. REID: What about fuel oil? It was increased considerably too.

Mr. VAUGHAN: Yes. Fuel oil has increased very substantially. Fuel oil increased about \$500,000 over 1939. That was based, of course, on the cost of production. We have not been able to get as much, or very little fuel oil, from the United States. On our lines from British Columbia, before the war they used fuel oil that was brought up and put in our tanks at Vancouver or Prince Rupert. We were able to get but very little of that fuel oil during the war, and we had to get it where we could obtain it.

Mr. MAYBANK: Do you suggest that there is the possibility of a drop in fuel oil?

Mr. VAUGHAN: Well, we hope it will drop. That is all we can say.

Mr. MAYBANK: You hope, but there is no real expectation of that, is there?

Mr. VAUGHAN: Not immediately, no.

Mr. PICARD: On page 2 of the chairman's statement there is a paragraph on deferred maintenance. Do you expect that the amount of \$40,000,000 reserve that you expect to have at the end of 1945 will provide sufficient coverage for the expected new expenditures?

Mr. VAUGHAN: Yes. We think it will.

Mr. PICARD: What would be the proportion of that which would apply to the renewal of rolling stock and so on?

Mr. VAUGHAN: You have that figure here, Mr. Cooper?

Mr. COOPER: At the end of 1944 we had \$19,000,000 for deferred maintenance of way and \$15,000,000 for deferred maintenance of equipment; that is \$34,000,000 in the accounts at the end of 1944.

Mr. PICARD: Do you include in maintenance of equipment your buildings and railway stations and so on, or just rolling stock? Of course I do not know the details of your administration.

Mr. VAUGHAN: We expect these amounts which we have set aside will provide for all the deferred maintenance on locomotives and cars; that is the amount we would have spent had labour and material been adequate to take care of our ordinary requirements.

Mr. PICARD: I suppose that all the equipment, passenger, freight and so on, must have aged considerably on account of being overworked during the war and will need to be replaced on a larger scale than had there been just an ordinary amount of wear and tear?

Mr. VAUGHAN: These amounts set up, of course, are entirely for repairs to existing units of equipment. They do not apply to new equipment at all. Take, for instance, passenger cars. As you know, our passenger cars do not look as nice as we would like to see them look, either inside or outside. We have kept the running gear in safe condition for operation but we have not been able to doll them up inside and outside as we would have done under ordinary circumstances. This amount we set aside for deferred maintenance of equipment will take care of items of that kind.

Mr. PICARD: Do you have any reserves for renewals of rolling stock, because there must be a great need for that?

Mr. VAUGHAN: You are referring to new rolling stock?

Mr. PICARD: New rolling stock equipment.

Mr. VAUGHAN: We have no reserve to provide for new rolling stock. Any purchases of new rolling stock will be taken care of from year to year as the need arises.

Mr. PICARD: My question is this: Do you not expect that, after these last four or five years, that would be needed on a much heavier scale than normally?

Mr. VAUGHAN: The need will largely be for passenger equipment, modernized passenger equipment. We think we will have sufficient locomotives except perhaps diesel switchers or something of that kind and there might be a few freight cars needed; but we do not see any need for large purchases of freight equipment or locomotives. We have quite substantial new locomotives and freight deliveries since 1941, but there is need for passenger equipment.

Mr. PICARD: As it is a fact that the equipment has been overworked, according to your statement, will that not mean that there will be large orders for replacements?

Mr. VAUGHAN: No.

Mr. PICARD: Then there would be large amounts of repairs?

Mr. VAUGHAN: No, because we have added a large number of new units of equipment during the war, freight equipment and locomotives. There will be a lot of equipment which will have to go into the shop for rehabilitation, and those reserves will provide for that.

Mr. PICARD: You divide your expenditures from the \$34,000,000 reserve between \$19,000,000 for road maintenance and \$15,000,000 for equipment.

Mr. VAUGHAN: Yes.

Mr. PICARD: Where would stations and buildings and so on be provided for; in which of those two items?

Mr. COOPER: In the \$19,000,000.

Mr. PICARD: In the road equipment?

Mr. VAUGHAN: In the road provision.

Mr. PICARD: Would it be possible for you to give us an idea of when the company would be in a position to start to put into effect these new repairs or alterations?

Mr. VAUGHAN: That will depend largely on labour and material. It will be a gradual process. It will not be done all at once. It will be a gradual process when men and materials are available.

Mr. PICARD: Do you feel that whatever you would have to purchase in the way of new rolling equipment and so on, over a period of time, would help in the reconstruction era and help solve many of the problems that might confront us in the years to come?

Mr. WALTON: It means work.

Mr. VAUGHAN: It will assist, because we will have to employ large numbers of people and purchase large quantities of material to do this rehabilitation work.

Mr. PICARD: It will have to be spread over a number of years.

Mr. VAUGHAN: Yes.

Mr. MOORE: Will most of that construction which the railways will have to make, be made in their own shops? I have reference to rolling stock.

Mr. VAUGHAN: Most of the new equipment we get is purchased from outside shops. We do build some equipment in our own shop, especially in the Winnipeg shop, such as refrigerator cars. Generally speaking, we have not the facilities in our own shops to keep pace with repairs to our equipment already in service and build new equipment.

Mr. HAZEN: In your statement to the minister it sets out that you acquired in 1944 twenty Mountain type locomotives and seven Northern type locomotives, 4,762 box cars, 200 flat cars, 500 hopper cars, 250 ore cars and 54 refrigerator cars.

Mr. VAUGHAN: That is right.

Mr. HAZEN: And in addition there was purchased for Grand Trunk Western Railroad 10 diesel switching locomotives, 1 passenger car, 2 automobile cars and 300 gondola cars.

Mr. VAUGHAN: Yes.

Mr. HAZEN: And 41 units of work equipment were also acquired.

Mr. VAUGHAN: Yes.

Mr. HAZEN: Would you tell us from whom you made those purchases? I notice on page 18 of your report, it says, "Equipment purchased or built, \$32,000,000 odd."

Mr. VAUGHAN: There are only three companies in Canada building railway cars. There is the National Steel Car Corporation in Hamilton, the Canadian Car and Foundry Company and the Eastern Car Company. There are two locomotive builders, Canadian Locomotive Company at Kingston and the Montreal Locomotive Works at Montreal. The business has been spread between them, but in the last few years the allocation of business has been controlled by the Department of Munitions and Supply, and we have had to place our rolling stock where they thought there was space available not occupied by war work.

Mr. HAZEN: Take the 20 Mountain type locomotives. Can you tell us from whom they were purchased?

Mr. VAUGHAN: Yes. They were purchased from Montreal Locomotive Works.

Mr. HAZEN: What about the 7 Northern type locomotives?

Mr. VAUGHAN: They were purchased from the Montreal Locomotive works.

Mr. HAZEN: Then there were 4,762 box cars. Were they all purchased from them?

Mr. VAUGHAN: Have you the list there, Mr. Cooper?

Mr. COOPER: Yes, sir.

Mr. VAUGHAN: Well, there were some 1,240 of those purchased from Canadian Car, 1,350 from National Steel Car, 250 from the Eastern Car Company. Those are box cars. There were 200 others from Canadian Car and Foundry, 750 hopper from the Eastern Car Company.

Mr. HAZEN: You have 500 down in your report.

Mr. VAUGHAN: There is a difference in that they were deliveries. The figures I have just given were purchases.

Mr. HAZEN: Those are the orders?

Mr. VAUGHAN: Yes, these are the orders.

Mr. WALTON: This is restricted to 1944; actual deliveries would be in the calendar year.

Mr. VAUGHAN: Those cars I mentioned were under the 1943 program. Then under the 1944 program there were 20 Mountain type locomotives, 250 freight cars, National Steel Car; 850 box cars, Canadian Car; 700 box cars, National Steel Car; and 450 for Eastern Car. You will see that the business is pretty well divided between the car companies.

Mr. HAZEN: Was any of this equipment purchased in the United States?

Mr. VAUGHAN: Only for our United States lines.

Mr. HAZEN: Was there any of this equipment that is mentioned for your United States lines; that is Mountain type locomotives and Northern type locomotives?

Mr. WALTON: No.

Mr. VAUGHAN: No. Those engines were all used in Canada and were purchased in Canada and built in Canada.

Mr. NICHOLSON: Where were the diesel locomotives purchased?

Mr. WALTON: They were purchased from the American Locomotive Company for use on the United States lines.

Mr. HAZEN: What equipment was purchased in 1944 for your United States lines, and from whom was it purchased?

Mr. VAUGHAN: We purchased for United States lines 10 diesel locomotives from the American Locomotive Company; 200 automobile cars from the Pressed Steel Car Company; 300 gondola cars from the Pressed Steel Car Company.

Mr. MAYBANK: I wonder if I might ask this question on deferred maintenance reserves. You have got \$34,000,000 and up to \$40,000,000 or in that neighbourhood.

Mr. VAUGHAN: Yes.

Mr. MAYBANK: Arriving at that total or estimate of what would be necessary, did you work on the wage level and commodity price level as they exist or did you try to protect yourself to get what it would be at the time you would be spending the money?

Mr. VAUGHAN: There was a regular formula worked out. Mr. Cooper has it, I think.

Mr. COOPER: We worked it out on a number of bases, but in the final analysis we took the opinion of the technical officers, principally that of Mr. Walton here, as to the amount of deferred maintenance which in his judgment exists on the Canadian National Railways.

Mr. WALTON: And for that purpose we used the wage rates as of to-day. We did not think we could accurately state what they will be when we can get the material and labour for this work.

Mr. MAYBANK: Then your deferred maintenance, if wages rise and material costs rise, will buy less?

Mr. WALTON: The money will not go so far.

Mr. VAUGHAN: That is correct.

Mr. BEAUDOIN: What proportion of American and Canadian coal does the C.N.R. buy?

Mr. VAUGHAN: In normal times I would say from 65 to 70 per cent of our total coal purchases are made in Canada; but during the war, especially during the last year or two, we have not been able to get anything like sufficient coal in Canada to meet our requirements. The result is that we have had to buy American coal and rail it all the way down to Truro and send it out to the west instead of bringing Alberta coal down to the head of the lakes. We have had to rail American coal as far west as the Saskatchewan boundary.

Mr. BEAUDOIN: Was it a matter of decreased production or freight rates?

Mr. VAUGHAN: Decreased production and increased consumption.

Mr. JACKMAN: With regard to Truro, is that just for the eastern traffic, or have you used more American coal for other parts of the country? It seems a long way to an outsider.

Mr. VAUGHAN: Truro is an important divisional point not very far from Halifax; it serves the two territories either east or west of there. I simply mentioned Truro to show how far east we have to haul American coal.

Mr. JACKMAN: You have stock piles too?

Mr. VAUGHAN: Yes, we have American coal stocked at Moncton, Mount Joli and Riviere du Loup, and up into Ontario as far as Fort William, and at Winnipeg. We have piles of American coal all over.

Mr. HAZEN: Prior to the war had coal come from Nova Scotia?

Mr. VAUGHAN: Prior to the war we were using Nova Scotia coal as far west as Toronto.

Mr. HAZEN: Is there any coal used from the Minto mine in New Brunswick?

Mr. VAUGHAN: I believe we have been the largest users of Minto coal, but we have not been getting anything like sufficient coal from the Minto district to meet our orders in recent years. We have been taking every ton of Canadian coal we could get, but it has not come near meeting our requirements in the territory where it was used prior to the war.

Mr. NICHOLSON: Two years ago we had some discussion in the committee regarding the volume of business going to the C.N.R. and the C.P.R., and there was some order requiring the business to be divided on a fifty-fifty basis. Can the president say whether he is satisfied with the share of business he is getting?

Mr. VAUGHAN: Following discussions in this committee and after several conversations with cabinet ministers we got those orders lifted. I think the situation is, perhaps, on a satisfactory basis at the present time. We still do not think we are getting as much business as we should, but the condition is improving.

Mr. NICHOLSON: Would you have any idea whether you are getting 60 per cent of the government business? At that time you argued, I think, for 60 per cent.

Mr. VAUGHAN: It is a difficult thing to say what percentage we are getting at the present time, but I would say that of the troop movements we are getting 60 per cent.

Mr. NICHOLSON: And of the freight business?

Mr. VAUGHAN: The freight business is hard to determine, because a great deal of the freight is billed by the shipper, and we cannot say whether it is government business or other business.

Mr. HAZEN: How does the cost of American coal compare with the cost of Canadian coal?

Mr. VAUGHAN: The cost of American coal at the mine is very much less than the cost of Canadian coal. For instance, the cost of American coal at the mine to-day would be about half the cost of Nova Scotia coal.

Mr. HARKNESS: That is not true of Alberta coal?

Mr. VAUGHAN: No, Alberta coal is very much lower in price than Nova Scotia coal.

Mr. HAZEN: What is the cost delivered at Truro, comparing American coal with Canadian coal?

Mr. VAUGHAN: The cost of delivering American coal at Truro to-day is very great. If we assess the transportation charges down to Truro the cost is very much greater than the cost of producing Canadian coal; but we cannot get Canadian coal. That is the difficulty. Under normal conditions we would never think of taking American coal down there, but we have had to protect our requirements by stocking American coal at a number of places in the maritime provinces.

Mr. JACKMAN: Our maritime coal mines are not producing enough coal for the eastern district?

Mr. VAUGHAN: No, nothing like it.

Mr. WALTON: We obviously would not have hauled that coal over our road if we could have provided it nearby.

Mr. VAUGHAN: We have been taking every ton of coal we could get and have been forced to stock American coal at Truro and at other points.

Mr. JACKMAN: At other times you were able to use Canadian coal as far west as Toronto?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: And this was due to the lack of production.

Mr. WALTON: And the usage is so heavy in these times.

Mr. VAUGHAN: The mines in the maritime provinces themselves have been producing less coal. Of course, there has been a tremendous demand for bunker coal and coal for war purposes.

Mr. NICHOLSON: Again raising the question of traffic between the C.P.R. and the C.N.R., as I understand it, any arbitrary division between the two railways on the part of the various government departments was done away with, and the new basis of getting traffic is entirely based on the question of service; is that a fair statement of the case today?

Mr. VAUGHAN: We would like to believe that that is the case. However, we have no complaint to make at the present time.

Mr. SHAW: You said a couple of years ago, did you not, that you would be completely satisfied operating on a competitive basis for government business?

Mr. VAUGHAN: Yes, we made that statement. The point at that time was that the fifty-fifty division be lifted and we would take our chance on getting the business.

Mr. HAZEN: Some years ago there was an Act passed by the dominion government providing for co-operation between the C.N.R. and the C.P.R., was there not?

Mr. VAUGHAN: There was what was known as the Canadian National-Canadian Pacific Act, yes.

Mr. HAZEN: What was the purpose of the Act? Could you tell us what it provided?

Mr. VAUGHAN: It is so long since I read the Act, I do not remember the exact wording of it; but it was designed, I think, to create closer co-operation between the two railways; that was one of the objects.

Mr. HAZEN: Did it have any useful purpose?

Mr. VAUGHAN: I think it had, although the arbitration clause provided for under the Act has not been used. We have tried to reconcile our differences without the necessity of going that far.

Mr. HAZEN: I notice here in the statement you read to the committee that you say, "It is probable that with the war emergency over, traffic will recede from its wartime levels. To what extent it will recede we shall have to wait to find out." I suppose you expect a considerable recession, and you expect you will have a good deal more difficulty in showing us that surplus some years after the war?

Mr. VAUGHAN: The results which the Canadian National Railway will produce or can produce will depend entirely upon the traffic we are able to obtain. We will operate the road just as efficiently and just as economically as we can, but a railroad force cannot be cut down as a factory force can; you have to keep the Railway operating and you have therefore to maintain it; as our traffic declines we watch our expenses very carefully and we reduce our expenses in accordance with the decline in traffic. There is a point beyond which we cannot go and keep the line in a safe condition for operation.

Mr. HAZEN: Do you think it would help matters if there was closer co-operation between the Canadian Pacific and the Canadian National? Are you working toward that end? In other words, are you in touch with the C.P.R. officials and do you work with them with that end in view?

Mr. VAUGHAN: The C.P.R. officials and our officials are in touch with each other almost every day on some matter. We do co-operate with them closely. Like every other concern there are times when we cannot agree. After all, we are keen competitors. I do not suppose there is any other place in the world where there is keener competition than between the C.N.R. and the C.P.R., I do not think that can be avoided so long as the two railways are operating as they are.

Mr. HAZEN: Competition is all very well, but there has to be co-operation, has there not?

Mr. VAUGHAN: Yes; but where we have direct competition there is a point at which co-operation ceases.

Mr. JACKMAN: Referring to the question of depreciation and war projects and amortization, in the little report you gave us you say that \$15,186,000 had been spent for war equipment and you had written off \$3,826,000. Is that writing it off as fast as it is desirable in view of the facts as you see them? Is it not also a fact in the United States they have been allowed to charge such costs of war assets to operations; they have been allowed to write them off? If I recall correctly something in the newspapers, the railroads were

allowed to write off these assets by September 1 of this year, or some such time as that. There was a time fixed during which period all the war assets could be written off, and the consequence is that some railways in the United States are showing a much better working capital position than they anticipated. Are they being more generously treated by the United States government than you are?

Mr. VAUGHAN: Their situation is entirely different from ours. They were permitted—Mr. Cooper is familiar with the Inter-State Commerce Commission rules—I think they were permitted in the case of the purchase of new equipment to write the cost of new equipment off against operating expense in a short period of time.

Mr. COOPER: Yes. Their situation, of course, is entirely related to their income tax position and the regulation as to writing off within a relatively short period of time is really a restriction against taking an undue proportion in the operating expenses for tax deduction. We are not in that position. As Mr. Vaughan has said, we have to deal with an entirely different situation. With relation to the \$15,000,000 and the \$3,500,000, as the statement says, some portion of these wartime facilities will be of no value for commercial purposes at the termination of the war. By this year we shall have written off \$3,500,000 out of \$15,000,000. We shall have written off 100 per cent of the facilities for which we will have no commercial purpose after the termination of the war.

Mr. JACKMAN: You are quite satisfied that of the \$15,000,000 the \$3,000,000 represents the amount which would be of no economic value in the post-war period?

Mr. COOPER: Yes.

Mr. BEAUDOIN: When do you expect to open Jasper Lodge and the lodges at Minaki and Pictou?

Mr. VAUGHAN: They will be opened next summer.

Mr. JACKMAN: May I ask if the Inter-State Commerce Commission and the American regulating authorities have allowed the railways to set up deferred maintenance accounts? I see you have inventory reserve here too.

Mr. COOPER: As far as deferred maintenance is concerned, yes, the Inter-State Commerce Commission do make provision in their regulations for deferred maintenance. That is to say, they permit a railway to set up accounts for deferred maintenance. But the Internal Revenue Department of the United States denied the railways the deduction of the amounts set up for deferred maintenance as deductions for tax purposes. The result was, speaking broadly, that none of the United States railways accrued deferred maintenance, because it did not give them any tax relief. There is no question at all that there is a tremendous amount of deferred maintenance on the United States railways, but it has not been reflected in their accounts.

Mr. JACKMAN: Does the same apply to inventory reserve?

Mr. COOPER: No, sir, as far as inventory reserves are concerned we are somewhat of an exception; there is no provision in the Inter-State Commerce Commission's regulations as to that.

Mr. MAYBANK: Mr. Cooper is the man making most of the answers now and I wonder whether we might not be advised to get him to take up his portion of the report.

Mr. VAUGHAN: Is it customary for Mr. Cooper to read the financial parts of the report?

Mr. MAYBANK: I had one or two questions I thought would arise from the matter which he would detail, and since he is moving in anyway I think this is a good time to ask those questions.

Mr. VAUGHAN: Is it the desire of the committee that we go through this report page by page?

Mr. MAYBANK: In former years we generally took a page and glanced down it and if any questions arose we asked about it and went on from there.

The CHAIRMAN: It is now 1 o'clock. We have permission from the House to sit while the House is sitting. Would it be agreeable if we adjourned until 4 o'clock?

Mr. NICHOLSON: I understand that the T.C.A. discussion is coming up in the House this afternoon and I think the members would want to be there. Members have other obligations too.

Mr. LOCKHART: There are other duties and other obligations that members here have. I wonder if we could have some indication of what is going to be expected of us in the days ahead, so far as this committee is concerned? We ought to have something concrete before us so that we would know how to plan our time. If we cannot get here, we cannot get here; that is all.

Mr. MAYBANK: You ought to be able to finish this thing in six sittings.

Hon. Mr. CHEVRIER: Perhaps I might be allowed to say something on that point. There is no intention, I am sure, of trying to hurry the committee through its work. But with the officers of the Canadian National Railways here I think, if possible, we should sit at least twice a day, say at 11 and 4. If we cannot sit at 4, then let us sit at 8. But if we could sit twice a day, I think we could get through the business reasonably quickly. I know that in the past they have sat as often as three times a day, but I do not think the committee will want to do that at this time. It would be my suggestion—and of course it is subject to the approval of the committee—that we should adjourn and sit again at 4 o'clock, unless there is some objection to that.

Mr. HAZEN: Mr. Nicholson gave a very good objection to that, and that is that the T.C.A. bill comes up in the House this afternoon, and the members of the committee will want to be there.

Mr. LOCKHART: Why not sit this evening?

Hon. Mr. CHEVRIER: Could we sit this evening at 8 o'clock?

Mr. NICHOLSON: Would the discussion be over by 8 o'clock?

Hon. Mr. CHEVRIER: I do not know. That depends on the House.

Mr. HAZEN: Could we sit from 2 to 3?

Mr. MAYBANK: No.

Mr. REID: There are private bills tonight for an hour.

Mr. NICHOLSON: From 8 to 9.

Mr. REID: That would not interest so many.

The CHAIRMAN: Well, if it is agreeable, could we sit at 8 o'clock this evening, and perhaps sit from 8 till 10? There are private bills for an hour, anyway. Is that agreeable to the committee?

Mr. NICHOLSON: If the other discussion is ended, we could go on from 8 to 10.

The CHAIRMAN: I believe the T.C.A. officials will not be available this week. I think they had in mind that, if possible, we might get this C.N.R. report taken care of and then we could perhaps take on the T.C.A. officials next week or when they are available. That is just an idea. Mr. Lockhart mentioned what might be in the offing; so that is just what they have in mind, if it is possible for the committee to act on it.

We will adjourn now until 8 o'clock tonight.

The committee adjourned at 1.05 p.m. to meet again at 8 p.m. this day.

EVENING SESSION

The committee resumed at 8 o'clock p.m.

The CHAIRMAN: Gentlemen, I believe Mr. Vaughan has a statement or two to make in order to clarify some questions that were asked him this morning. If it would be agreeable to the committee; I think some one suggested before we adjourned that we should go on with the report. After Mr. Vaughan reads these statements, would that be agreeable?

Mr. REID: May I ask this question first of all, Mr. Chairman? I am a new member of the committee this year.

The CHAIRMAN: So am I.

Mr. REID: My question is regarding questions more or less of, shall I say, a local nature. Shall we ask them of Mr. Vaughan or shall we wait until some of his officials are here?

Hon. Mr. CHEVRIER: I think perhaps you should ask Mr. Vaughan; and if he cannot give you the information, some of the other officers here could, I believe.

Mr. REID: I just wanted to know.

Hon. Mr. CHEVRIER: There will not be any difficulty about that, Mr. Reid.

Mr. VAUGHAN: Mr. Picard I think asked a question this morning about the replacement of equipment and Mr. Jackman asked some question about pensions. I am going to ask Mr. Cooper to give some information in that connection, in order to clarify the points raised.

Mr. COOPER: On the question asked by Mr. Picard with respect to the provisions which we have made for deferred maintenance of equipment: Of the \$34 millions accrued to December 1944, \$15 millions is with respect to equipment. This \$15 millions will be increased to about \$18 millions by the end of 1945. May I explain that this provision is in respect of deferred maintenance only; that is to say, it represents the cost of repairs which would have been made had labour and material been available.

In addition to this provision we are making provision for the wearing out of the equipment, that is, obsolescence or retirement loss as distinguished from ordinary repairs. We are making provision against retirement loss by setting up depreciation accruals and, as Mr. Vaughan pointed out in his statement to the committee, in the years 1940 to 1945 we will have set aside \$98,427,000 for this purpose.

During the war years, therefore, we have maintained our equipment to the highest standard possible considering labour and material shortages. To the extent repairs have had to be deferred we have set aside \$18 millions so as to be in a position to restore the equipment to first-class condition as soon as conditions permit and we have set aside \$98 millions towards the day the equipment will have to be finally taken out of service and scrapped. This \$98 millions represents 24 per cent of the service value of all our rolling stock.

Then there were some questions in respect of the pension plan. My remarks relate to the present plan which was put upon a contractual basis in 1935. Prior to that date there was a non-contributory plan and there are also two other plans, one the Intercolonial and Prince Edward Island Provident Fund and the other the Grand Trunk Superannuation Fund.

The contractual plan went into effect January 1, 1935. It is a contributory plan, but contributions are not compulsory. The employee may contribute any percentage of his wages up to 10 per cent and the company will match up to 5 per cent. The amount so contributed up to the date of retirement (which is age 65), the company's matching contribution, together with interest accruals, is available to purchase a supplemental annuity. This supplemental annuity is additional to a pension paid entirely at the expense of the company. This

latter pension, which we call a service pension, is payable to employees who had been in service 10 years or more prior to 1935. If an employee is not entitled to a service pension by reason of late entry into the service, or if his service pension is less than \$25, he receives a basic pension of \$25 per month at the expense of the company. Every employee, therefore, receives either a service or a basic pension, plus a supplemental annuity, the latter only if he is a contributor to the fund.

The number of pensions under the 1935 plan at December 31, 1944, was 6,020 and the average pension was \$503. Some of these are on a straight life basis, others on a joint and survivor basis and others for a guaranteed term; and while the average pension may appear small in relation to the total income a retired person would desire to have, it is expected, of course, that the employee himself will have made some provision for the period when his earning capacity has ceased.

Mr. JACKMAN: After the large contribution you made to the pension fund in the year prior to the last—and it was \$19 million, if I recall correctly—did that put all your pension schemes or supplemental schemes on a fair actuarial basis or do you still need a little bolstering up?

Mr. COOPER: It did not touch the old pension plan which was closed at the end of 1934. Any pensions which had been granted under that plan are still being paid, and we take up the pension pay roll currently in our operating expenses.

Mr. JACKMAN: But what about those prior to 1935? Are they self-supporting.

Mr. COOPER: There is no reserve against them.

Mr. JACKMAN: There is no fund at all?

Mr. COOPER: No. We take care of the current pension payments as an operating expense.

Mr. JACKMAN: Do you really need another appropriation such as you had two years ago to put this on an actuarial basis?

Mr. COOPER: No.

Mr. JACKMAN: You do not want it?

Mr. COOPER: No. It is now more than ten years ago. Anybody who was on pension in 1934 could be assumed today to be, say, 75 years of age, and the number is diminishing. Having regard to the diminishing obligation—last year, for example, 1944, the annual pension pay roll was \$770,000, in 1943 it was \$940,000. It will diminish quite rapidly and will not be a serious charge after the next two or three years.

Mr. JACKMAN: Your main fund, with the appropriations you made two years ago, is actuarially sound with the annual appropriations you make now, which merely cover the fair annual premium. You do not have to appropriate money now to bolster it. You know what I mean when I say actuarially sound?

Mr. COOPER: I should like to make it clear that the reserve which was set up in 1943 was the actuarial capital sum necessary to provide for all the pension contracts which had been issued at that time.

Mr. JACKMAN: Yes?

Mr. COOPER: And every year, as we issue additional contracts, we take the capital sum necessary to meet those pension payments over the life expectancy of the new pensioners, and we set that aside to our reserve account; so that we have in reserve and invested in Victory Bonds, an amount—it is now \$25 million—which is calculated to pay all the pensions which have been granted to date under the 1935 contractual plan. Each year as we go along with the new contracts, we estimate what the capital amount is accruing at interest and set it aside.

Mr. MOORE: Mr. Chairman, in connection with the payment of pensions, I have had some complaints from the maintenance of way department who say that if, through ill health, they have to retire before the age of 65, under certain circumstances they lose their pension rights. Do you know anything about that?

Mr. COOPER: That depends. If a man over 60 years of age with 20 years' service must retire on medical grounds, he is entitled to his pension just the same as if he were 65. If, however, he is less than 60 years of age he does not qualify under the rules. But if he was 50 years or more and he had 20 years of service, we give him a gratuity.

Mr. JACKMAN: I am not too sure, Mr. Cooper, that I yet understand this exactly. We have a man of 65, and he leaves the service and applies for his pension. Is there a sufficient fund set up and accruing up to the time of his retirement which will support the pension which he is entitled to?

Mr. COOPER: Not while he is in service. We do not accrue the pensions until the man reaches the retiring age. At that time we set aside sufficient money to meet his pension.

Mr. JACKMAN: Take an individual case. Suppose this man is entitled to a pension of \$500.

Mr. COOPER: Yes?

Mr. JACKMAN: Do you have to set up in the year 1945, at the end of the year, a sum sufficient to amortize that pension over the period?

Mr. COOPER: That is right. A pension of \$500 at age 65 would require a capital sum of about \$4,900. We take \$4,900 and put it into the fund.

Mr. JACKMAN: Out of operating?

Mr. COOPER: Out of operating; except to the extent that he may have contributed.

Mr. BEAUDOIN: Where can we find the items which Mr. Cooper is supposed to give us tonight, Mr. Chairman?

The CHAIRMAN: Page 12, I believe.

Mr. BEAUDOIN: In this report?

The CHAIRMAN: Yes, that is right, Mr. Beaudoin; when the committee is ready to go on.

Mr. JACKMAN: If I may I should just like to ask Mr. Cooper this question: If by good fortune you had a large sum of money which you did not have any particular use for, you could put a good many millions of dollars into this pension fund in order to put it on an actuarially sound basis instead of appropriating each year enough to support that year's crop of pensions. Your system is quite unlike a pension company's system or an insurance company's system.

Mr. COOPER: I think in the case of Canadian National Railways, we have done very well indeed. I think you will find few companies that have a fund invested in government guarantees that is sufficient to meet all pension obligations which have been contracted for as of a particular date.

Mr. JACKMAN: I am not trying to make out a bad comparison. I am just trying to find out how near you are to what we might call the ideal situation and that which should be your objective, or perhaps should be your objective. I do not know enough about it.

Mr. COOPER: You are suggesting that we should have accruing the pension liability with respect to employees still in service, I take it?

Mr. JACKMAN: That is so, yes.

Mr. COOPER: We have not reached the position where we have those many millions of dollars to set aside for that purpose.

Mr. JACKMAN: If you had a fairy godmother who left you \$20 million or \$30 million, it could perhaps very nicely go into that fund to put it on a sound basis, so that you would not have to worry so much about the future.

Mr. COOPER: If somebody would contribute \$30 million, I am sure it would be very gratefully received.

Mr. HAZEN: May I ask Mr. Vaughan if the company is building any ships?

Mr. VAUGHAN: We are not building any ships at the present time.

Mr. HAZEN: I notice in the report to the minister that you state that the production by the company of weapons of war, including ships, showed little diminution from other war years?

Mr. VAUGHAN: I should qualify that. I thought you meant building ships for ourselves.

Mr. HAZEN: I did not know just what that meant.

Mr. VAUGHAN: We still are building at Prince Rupert. We still have two to finish for the Department of Munitions and Supply. They will be finished in the next few months.

Mr. HAZEN: What kind of ships are they?

Mr. VAUGHAN: They are small ships, the coasting type.

Mr. HAZEN: Are they naval ships? I mean are they armed ships?

Mr. VAUGHAN: They are classed as coasting vessels. They are for the carriage of cargo.

Mr. WALTON: Ships of 1,350 tons; coasters, they were called.

Mr. VAUGHAN: I think some of them perhaps were to be used in England for coast service around the various ports in England. They have lost so many of those vessels.

Mr. HAZEN: Where were they built?

Mr. VAUGHAN: In Prince Rupert. They are being built now.

Mr. HAZEN: There are two still to be completed?

Mr. VAUGHAN: Yes.

Mr. HAZEN: How many have you built during the war?

Mr. VAUGHAN: We have built 4 mine sweepers and 10 of the large ten thousand-ton cargo boats, and we are now building the two coasting vessels just referred to.

Mr. HAZEN: Where did you build your cargo boats?

Mr. VAUGHAN: We built them all at Prince Rupert.

Mr. REID: Do you keep the ship yards at Prince Rupert in operation or have you kept them in operation all through the years or has it just been war activities?

Mr. VAUGHAN: The ship yard has been kept available there. We have always done considerable repair work there, and we have operated a large floating dock there. We kept it going all during peace. It had been almost entirely a repair dock up until the time the war came along.

Mr. REID: Do you keep a regular ship building crew of men there all during the peace years and from now on, when there is little probable chance for ship building?

Mr. VAUGHAN: Oh, yes.

Mr. REID: There must be quite a loss there.

Mr. VAUGHAN: Oh, yes, there was a loss in normal times. The plant has been there for a long time. The dry dock was subsidized, the same as all dry

docks are subsidized, for 25 years; and the other dry docks in the country were subsidized for 35 years. We were only subsidized for 25 years. That 25-year period has expired and we are hoping to get a renewal of the subsidy.

Mr. WALTON: Mr. Vaughan, I think there might be some misunderstanding about Mr. Reid's question. If I understood him correctly, the question was whether the full staff of shipbuilders had been kept on in the years in which repair work only was being done.

Mr. VAUGHAN: I am sorry. I misunderstood you. No, that is not so. We only kept a skeleton crew there, so to speak, to take care of such repairs as might have come in from time to time.

Mr. REID: What was that loss with respect to abandoning dock facilities at Seattle, Washington. I see an item of \$626,000?

Mr. VAUGHAN: That was a different matter. The Grand Trunk Pacific owned a dock at Seattle. At one time they sent their vessels down to Seattle from Vancouver and Victoria. But the service was stopped some years ago and that dock had not been used for several years, so it was sold at a substantial sum below what it cost when originally purchased.

Mr. HAZEN: I do not suppose you are making any weapons of war now?

Mr. VAUGHAN: No. We have shut down our war plants.

Mr. HAZEN: How many men were employed in those plants?

Mr. WALTON: In the National Munitions plant at Montreal, which was a Crown company, operated by the Canadian National Railways, the total of employees was about 950, of which about 100 men were key men furnished by the Canadian National, and they returned to our service with the closing up of the munitions shop. They were simply loaned to munitions.

Mr. VAUGHAN: I think we had nearly 1,500 or more employees at Prince Rupert.

Mr. WALTON: Yes. Prince Rupert got up to about 1,700 at the time of the large cargo ships.

Mr. HAZEN: They were making cargo ships?

Mr. WALTON: Yes, and in addition to that, we did considerable work for the Department of National Defence, making various naval devices, and so on, apart from what was being done with munitions in the separate shop.

Mr. JACKMAN: You mentioned that the railway had to pay more for steel, ties, spikes and so on?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: They had to pay more than they had to under the 1940 ceiling price? I suppose it was because the Wartime Prices and Trade Board thought that, because of your more favourable financial situation, an increase in the price to you would not raise the cost of living. How far did they carry that on with regard to supplies that you purchased? Take linens and towels. The government gave a heavy subsidy on cottons. I wonder if they thought that the railways could pay more for it?

Mr. VAUGHAN: The only increase we paid over the ordinary man, or firm, was, I think, on steel and ties. Our other prices were the general prices paid for the particular material concerned.

Mr. JACKMAN: Only those two items?

Mr. VAUGHAN: Steel, ties, and lumber.

Mr. JACKMAN: And fuel?

Mr. VAUGHAN: The price of fuel has been not only increased to us from time to time but to the general public. Then there are other items here; for instance, coal which increased by \$9,914,000. That covers the United States as

well as Canada. Ties were increased \$1,925,000. Lumber and timber, \$1,000,005, Rails, \$900,000, and so on.

Mr. JACKMAN: That is above the basic price?

Mr. VAUGHAN: Those are above the 1939 prices. It is quite likely that some of those prices were general—

Mr. JACKMAN: Were general?

Mr. VAUGHAN: The general selling price. Take for instance, the cost of machinery, stationery, commissariat supplies, uniforms, textlies, rubber goods and things of that kind.

Mr. JACKMAN: How frequently was the railway, the other railway too, singled out to pay higher prices than other customers?

Mr. VAUGHAN: I think only in the case of steel.

Mr. JACKMAN: Members of parliament do not very often have the opportunity of coming close to business, but I think we can say that the Canadian National Railways is as efficiently operated as any private company or as any free enterprise. I wonder if the president would care to say a word or two about the cost of meeting various war orders and regulations which are still in force and as to whether they do or do not interfere with the smooth running of the business? Do they require a great deal of clerical work and worry?

Mr. VAUGHAN: They do, undoubtedly, have caused a great deal of clerical work, but I do not think we can say what the actual increased cost would be. It would apply to other activities as well as to the railways.

Mr. JACKMAN: Regarding yourself as a private industry, what are your worries with respect to war orders and regulations?

Mr. VAUGHAN: Mainly increase in clerical staff.

Mr. JACKMAN: Are there many orders and regulations which seem to you to be just irritation and nuisances that serve no useful purpose so far as your business is concerned?

Mr. VAUGHAN: That is a difficult question to answer. We are in the same boat as everybody else. Many of those orders we consider to be necessary nuisances, brought about as a result of the war.

Mr. JACKMAN: But now that the war is over, how about present conditions?

Mr. VAUGHAN: I suppose these regulations will be lifted as soon as those in control think it is desirable to do so.

Mr. JACKMAN: We were endeavouring, perhaps, to help you to get them released. We would like to know more about them and to get specific cases. I think it is a fair question to ask you just what are some of these irritations, which, in your opinion, could be dispensed with so far as the railways are concerned?

Mr. HARRIS (*Grey-Bruce*): I wonder if we could get on with the report?

Mr. BEAUDOIN: We might ask Mr. Vaughan what are some of the benefits also derived from that policy as well as the detriments, because I understand that the Canadian National Railways is buying not only ties and steel but all sorts of things like nails and so on.

Mr. VAUGHAN: We have benefited by price control on certain commodities.

Hon. Mr. CHEVRIER: I would think that many of the orders of the transport control, for instance, would have been of great assistance to the railway?

Mr. VAUGHAN: Some have been very beneficial.

Mr. BEAUDOIN: And they are still necessary, right now, according to conditions prevailing.

Mr. REID: I noticed a certain increase in 1944 in connection with passenger traffic, and I also noticed that dining and buffet was away less than formerly. I would think that with a greater number of passengers, at least, you would have drawn as much money.

Mr. VAUGHAN: You are looking at page 15. Yes.

Mr. NICHOLSON: I wonder if we might follow the custom you suggested of taking this page by page?

Mr. REID: I am just rushing into this because I am new to the committee.

Mr. VAUGHAN: Probably it would be well to take the balance sheet first on pages 12 and 13; then, if there are any questions in connection with it, we will try to answer them.

Mr. HARKNESS: On page 7, under surplus for the year, you have a loss of \$1,486,000 in connection with the Northern Alberta Railway due to the revenue being lower by \$3,853,000. What is the reason for that? Is that likely to continue?

Mr. VAUGHAN: The Northern Alberta Railway had a very large increase in revenue due to the construction of the Alaskan highway. But that traffic of course, has disappeared and will not return. I do not think that the Northern Alberta can ever hope to have anything like the traffic they had during that period.

Mr. HARKNESS: You anticipate a deficit of something like \$1,500,000 from it?

Mr. VAUGHAN: I believe the Northern Alberta will show a deficit for some time to come. The loss will be divided equally between the Canadian National railway and the Canadian Pacific railway.

Mr. HARKNESS: Entirely due to lack of traffic?

Mr. VAUGHAN: Yes, entirely due to lack of traffic.

Mr. HARKNESS: Would it help the situation if that railway were continued on to the Pacific coast?

Mr. VAUGHAN: It might increase the losses.

Mr. HARKNESS: It would not improve the situation from a financial point of view?

Mr. VAUGHAN: I doubt it.

Mr. JACKMAN: The question addressed to Mr. Vaughan about regulations and orders was not meant to be particularly contentious. I think Mr. Vaughan would like me to treat his report the same as I would treat the report of any other company, even though it be a private one. One frequently reads in the addresses of the presidents of private corporations some reference to the wartime regulations and orders, but such a reference is noticeably absent from this report, and perhaps for a good reason. But we are assembled here to help the railway and at the same time we may be helping general business. So I think it is a fair question to ask Mr. Vaughan to comment on some of the regulations now that the emergency is over, or partly over, and to tell us whether these regulations are in the nature of nuisances and might be speedily withdrawn?

Mr. VAUGHAN: You would not expect me to criticize my proprietors?

Mr. JACKMAN: I think that is where public ownership versus private ownership comes in. I think there is a splendid job being done on this railway, and that the competition of a private company is a healthy factor. But at the same time, I do not think you should for a moment be concerned about being asked questions in connection with the railway that might have business throughout the country.

Hon. Mr. CHEVRIER: We are all anxious to get rid of restrictions as quickly as possible.

Mr. JACKMAN: Yes, but we do not know how these restrictions interfere with the people. It may be that the government or the government ministers may know how they operate against business, but I think we are entitled to a little information from Mr. Vaughan.

Mr. VAUGHAN: I would say that the annoyances to-day are counter-balanced by the benefits. That is about all I would say. We would not like to see price control taken off because then prices might go sky high and we would have inflation.

Mr. JACKMAN: Yes, but are there not some restrictions which you think are bad, and which are nuisances as compared with others which may be of great service to you?

Mr. VAUGHAN: I do not think there are any restrictions at the present time which give us any difficulty other than extra clerical work which is required to carry them. Do you know of any Mr. Walton?

Mr. WALTON: No. Obviously it takes extra clerical help to take care of these various reports.

Mr. JACKMAN: Is national selective service a bother to you?

Mr. BEAUDOIN: I would suggest that the honourable gentleman is out of order. The members of the Canadian National railways come here to give us information as to the company's activities and to answer questions which are within their field. Right now the honourable gentleman is asking Canadian National officials for their opinion on national selective service regulations and the Wartime Prices and Trade Board regulations. I should say that the committee had better question Mr. Donald Gordon.

Mr. HAZEN: The railway comes under national selective service. I presume you have to go to them when you want employees?

Mr. VAUGHAN: We have had the usual difficulties with national selective service that everybody had, but they have generally disappeared now.

Mr. WALTON: They have been also helpful to us upon occasion.

Mr. JACKMAN: All we are asking for is information in regard to them and we are very glad to get information from the Canadian National railways if they would like the restrictions and that they have found them to be helpful.

Mr. NICHOLSON: I think that is a fair statement.

Mr. VAUGHAN: I said that the annoyances are counterbalanced by the benefits.

Mr. JACKMAN: I was trying to get you to give us a breakdown on some of the annoyances, because after all the continuance of these restrictions will come up in the House of Commons and all members must know whether it is a good thing or not. No one wants inflation and we want the continuance of those orders which are salutary.

The CHAIRMAN: Gentlemen. I do not want to do anything but co-operate with the committee. I feel that this question has been laboured pretty well on both sides. I think Mr. Vaughan has gone perhaps as far as he can go. He has expressed both sides of the story. Perhaps Mr. Jackman is not quite satisfied with the breakdown but it might take a long while to go through all the orders that might affect a railway as large as the Canadian National. As I said before I do not want to interfere with the committee in any way but I think there has been a fair discussion on that. Am I unfair about that, Mr. Jackman?

Mr. JACKMAN: Oh, no, not very unfair, but I should like to see this company and its executives feel just as free as any other company to say what they wish to say as sensible executives. Here they are not wanting to criticize their masters, as Mr. Vaughan said. That is one of the difficulties of public

ownership. If things are not right we want them changed. We want the business to prosper and be serviceable to the people. It may be a bit embarrassing to Mr. Vaughan.

Mr. VAUGHAN: If there is any opinion in your mind that we are afraid to express an opinion on any matter, whether it be right or wrong—

Mr. JACKMAN: You referred to your masters.

Mr. VAUGHAN: I want it to disappear because that is not the case.

Mr. JACKMAN: I did not think it was.

Mr. VAUGHAN: I think the minister will bear me out when I say we do not hesitate at any time to say what we think about any particular thing. On this matter you raised I do not know what more I can say. In order to answer your question we would have to sit down and analyse all these controls and see what they mean to us.

Mr. JACKMAN: I will not labour the question further, Mr. Vaughan. All I want to know is are there some things that come right to mind that really irritate you that you think parliament should give consideration to in order to help business in general and your company in particular? If nothing comes to your mind immediately I would not bother about the individual orders.

Mr. VAUGHAN: I cannot think of anything at the moment. There may be some things that do not come to my attention but they cannot be very serious or they would be brought to my attention.

Mr. MOORE: Possibly if the executives of some private companies were to come out in favour of certain controls they would not meet with very much favour from their respective companies. Therefore I think we ought to accept the president's statement with respect to the Canadian National Railway.

Mr. REID: I wonder if I can ask Mr. Vaughan this question. Has it ever been possible to find out whether freight revenues or passenger revenues pay? You can show your profit and surplus, but has it ever been gone into to find out whether the operating expenses for freight taken with the revenues for freight really show a profit and whether passenger revenues as against passenger expenses show a profit?

Mr. VAUGHAN: That has come up at these meetings in previous years. We have pointed out the difficulties of breaking down particularly the division of expenses between passenger and freight trains. Generally speaking passenger operation is not profitable on any railroad. There may be some particular trains that have a heavy density of traffic between two important cities such as Toronto and Montreal that may make money but generally speaking passenger business on a railroad is not profitable.

Mr. REID: The reason I asked that is I remember arguing a freight rates case before the Board of Transport Commissioners and the statement was made by the railway companies that no one could tell how much it cost to haul a passenger or a ton of freight. I was wondering if they had changed their views or had gone into it since that time.

Mr. VAUGHAN: We can tell pretty well what it costs to haul a ton of freight for a given portion of railroad but when you come to haul a ton of freight three thousand miles it is pretty hard to apportion the cost to any particular part of that railroad. You have got varying grades, and a number of other conditions to contend with, but we have from time to time in these various freight rates inquiries submitted costs of hauling freight.

Mr. WALTON: Then again many of the expenses are common to both passenger and freight, and in separating them you either have to take an arbitrary basis or it gets down to practically a matter of opinion.

Mr. VAUGHAN: For example, you cannot break down the cost of maintaining track as between your passenger business and your freight business. It is impossible to do it.

Mr. REID: I had in the back of my mind an application being made to the board for an increase in passenger fares and an increase in freight rates. I was wondering in my own mind how they could show which had an operating loss and which had a gain.

Mr. VAUGHAN: No application has yet been made nor has one been prepared but if one should be made it would in the ordinary course of events be submitted to the Board of Transport for their consideration. The Board of Transport would hold hearings and listen to everything that the various localities concerned had to say and in turn they would ask the railways to submit costs of operating certain portions of their lines for whatever traffic was involved, and I presume they would come to their conclusions on the basis of the evidence submitted. There is a tribunal to deal with those matters, and we cannot increase a freight rate of any kind without the approval of the Board of Transport.

Mr. REID: I thought I would ask for information. This is the first opportunity I have had to ask the head of a railroad about it. I know the stand taken by the Board of Transport Commissioners. I have had experience in that line. I have been wondering in my own mind if they could really tell what it cost to haul a ton of freight or a passenger?

Mr. VAUGHAN: We can give figures for specific localities of the cost of hauling freight taking into account certain factors but it is very difficult, as I say, to determine the division of cost as between passenger and freight earnings on account of so many expenses being common to both.

The CHAIRMAN: Could we go on with the balance sheet on page 12 and then you can ask any questions you have of any of the gentlemen here as you go along, if that is satisfactory.

CONSOLIDATED BALANCE SHEET

ASSETS

INVESTMENTS:

Road and Equipment Property..\$	1,958,892,347	76	
Improvements on Leased Property	3,034,936	52	
Miscellaneous Physical Property	65,127,197	72	
			\$ 2,027,054,482 00
Sinking Funds:			
System Securities at par..\$	542,618	73	
Other Assets at cost.....	279,503	.03	
			822,121 76
Deposits in lieu of Mortgaged Property Sold:			
System Securities at par..\$	471,500	00	
Other Assets at cost.....	4,442,675	10	
			4,914,175 10
Deferred Maintenance Fund.....			34,000,000 00
Investments in Affiliated Companies.....			40,710,024 85
Other Investments:			
System Securities at par..\$	80,000	00	
Other Assets at cost.....	1,837,994	82	
			1,917,994 82
			\$ 2,109,418,798 53

CURRENT ASSETS:

Cash	\$	15,257,088	67	
Special Deposits		12,421,737	17	
Net Balances Receivable from Agents and Conductors		14,719,121	54	
Miscellaneous Accounts Receivable.....		16,239,003	64	
Material and Supplies—Ledger Balances.....		55,622,709	91	
Interest and Dividends Receivable.....		558,445	86	
Rents Receivable		468,027	15	
Other Current Assets.....		9,747,616	29	
				125,033,750 23

DEFERRED ASSETS:

Working Fund Advances.....	\$	377,447	09	
Insurance Fund:				
System Securities at par..\$	6,679,184	06		
Other Assets at cost.....	6,076,933	45		
				12,756,117 51
Pension Contract Fund.....		24,649,000	00	
Other Deferred Assets.....		3,176,378	22	
				40,958,942 82

UNADJUSTED DEBITS:

Rents paid in Advance.....	\$	171,122	11	
Discount on Funded Debt.....		6,886,208	53	
Other Unadjusted Debits.....		4,043,054	44	
				11,100,385 08

\$ 2,286,511,876 66

AT 31st DECEMBER, 1944.

LIABILITIES

STOCKS:

Capital Stocks of Subsidiary Companies held by Public..... \$ 4,669,840 00

LONG TERM DEBT:

Funded Debt Unmatured:

Held by Public..... \$ 621,680,603 14
Held in Special Funds..... 7,773,302 79

629,453,905 93

DOMINION OF CANADA (Accounts treated as assets in Public Accounts of Canada):

Loans \$ 645,103,871 64
Canadian Government Railways—Working Capital 16,771,980 54

CURRENT LIABILITIES:

Traffic and Car-Service Balances—Credit..... \$ 7,014,709 06
Audited Accounts and Wages Payable..... 14,153,334 28
Miscellaneous Accounts Payable..... 5,665,989 76
Interest Matured Unpaid..... 6,493,574 52
Unmatured Interest Accrued..... 6,353,598 86
Unmatured Rents Accrued..... 194,259 59
Accrued Tax Liability..... 3,106,930 95
Other Current Liabilities..... 12,612,178 23

55,594,575 25

DEFERRED LIABILITIES:

Pension Contract Reserve..... \$ 24,649,000 00
Other Deferred Liabilities..... 6,405,273 45

31,054,273 45

UNADJUSTED CREDITS:

Insurance Reserve \$ 12,756,117 51
Accrued Depreciation:
Canadian Lines—Equipment only..... 56,481,794 70
U.S. Lines—Road and Equipment..... 21,035,703 74
U.S. Leased Lines..... 81,409 85
Deferred Maintenance Reserve..... 34,000,000 00
Other Reserves 11,589,013 74
Other Unadjusted Credits..... 13,223,904 16

149,167,943 70

DOMINION OF CANADA—PROPRIETOR'S EQUITY—

(See Note)

Represented by:—

1,000,000 shares of no par value capital stock of Canadian National Railway Company..... \$ 18,000,000 00
5,000,000 shares of no par value capital stock of The Canadian National Railways Securities Trust 359,080,515 31
Capital Expenditures by Dominion of Canada on Canadian Government Railways..... 377,614,970 84

754,695,486 15

CONTINGENT LIABILITIES:

Major contingent liabilities, as shown on statement attached.

\$ 2,286,511,876 66

NOTE.—The Proprietor's Equity is included in the net debt of Canada and is disclosed in the historical record of Government assistance to railways as shown in the Public Accounts of Canada in accordance with the Canadian National Railways Capital Revision Act, 1937.

T. H. COOPER,
Comptroller.

CERTIFICATE OF AUDITORS

We have examined the books and records of the companies comprising the Canadian National Railway System for the year ended the 31st December, 1944, and subject to our report to Parliament, we certify that, in our opinion, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the affairs of the System as at the 31st December, 1944, and that the relative Income Account for the year ended the 31st December, 1944, is correctly stated.

GEORGE A. TOUCHE & CO.,
Chartered Accountants.

15th March, 1945.

Mr. BEAUDOIN: I should like to ask Mr. Cooper what are the special deposits which are mentioned in the section entitled "Current Assets"?

Hon. Mr. CHEVRIER: Page 12.

Mr. BEAUDOIN: Current Assets.

Mr. COOPER: \$12,421,000, Special Deposits?

Mr. COOPER: We have some bond issues which have matured and the holders of some of the bonds have not presented them for payment. The amount necessary to take up those bonds has been placed in a special bank account to be available whenever the holders present their bonds for redemption. That is a part of the account. The other part very largely consists of interest which has matured and is due for payment as of say January 1, 1945. Again we take the cash out of our general funds and we put it into a special bond interest account at the bank. That is what that account consists of.

Mr. BEAUDOIN: What about miscellaneous accounts receivable, \$16,000,000?

Mr. COOPER: The major portion of that item would represent accounts against the government on government business. As you know in the case of passenger traffic all military personnel travel on warrants. It takes us some time to get those warrants in from the stations, check them over, list them up and set a bill against the government, but for the time being we relieve the agents of the outstanding warrants and we hold them in this particular account until our bills against the government are rendered. There is a certain delay in the rendering of bills particularly on government business. That is the principal reason the amount appears to be high.

Mr. NICHOLSON: The second item on this page is improvements on leased property. Could we have some explanation as to what that item covers?

Mr. COOPER: When we make investments or capital expenditures on our own property it is charged to the first item there, but if we have property which is under lease such as the New London Northern Railway or the Northern Pacific Railway, we do not own the property itself but we operate under lease, and any improvements which we make to that leased property are segregated and kept out of our own property investment account.

Mr. REID: Does miscellaneous physical property include hotels?

Mr. COOPER: The major portion of that account represents our investment in our hotels. It would also include other non-railway property owned by the Canadian National Railways.

Mr. JACKMAN: Under deposits in lieu of mortgaged property sold you have other assets at cost, \$4,442,675. That is something you are allowed to substitute under a bond mortgage for something you have sold?

Mr. COOPER: If a mortgaged property is sold occasionally under the terms of the trust deeds the proceeds of the sale must be turned over to the trustees to maintain the security of the outstanding bonds.

Mr. JACKMAN: What type of assets would there be in that \$4,442,675?

Mr. COOPER: They are invested in interest bearing securities.

Mr. JACKMAN: Mostly government bonds probably?

Mr. COOPER: Of the \$4,914,175, \$3,375,000 is Dominion of Canada bonds.

Mr. JACKMAN: As to investments in affiliated companies, \$40,000,000, perhaps you will recall that some years ago among the affiliated companies, if I recall correctly, there were some in which you did not have the entire capital owned by the railway. I think there were a few lines running out of Montreal.

Mr. VAUGHAN: A small minority interest.

Mr. JACKMAN: You were going to clean them up if you could.

Mr. VAUGHAN: We are working on them. I think there have been one or two cleaned up. It is a long legal process in some of these things. We are working at it consistently and we are making some progress although the progress is not as fast as we would like.

Mr. JACKMAN: The fact it is necessary to make improvements of these affiliated companies, not wholly owned, from time to time does not interfere with your bargaining?

Mr. VAUGHAN: No, not at all.

Mr. COOPER: You will find full details of that item set out on page 21, Mr. Jackman.

Mr. JACKMAN: I do not think it is important enough to inquire what those are just now, the ones you are trying to tidy up and get the worthless proprietorship out of the way.

Mr. COOPER: I think the ones we are trying to clean up are included in the first item of the liability side.

Mr. JACKMAN: Capital stock of subsidiary companies held by public?

Mr. COOPER: Yes, and if you will turn to page 22 you will see the particular lines to which it relates. Those are the companies where there are minority shareholders to which this account refers.

Mr. JACKMAN: Canadian Northern Quebec Railway Company; is that a paying line? When I say "paying" I mean as far as stock?

Mr. VAUGHAN: The Canadian Northern Quebec is merged with the rest of our system and has been merged with the Canadian National Railways for many years but there are a few bonds outstanding and we are trying to get those in.

Mr. JACKMAN: This is capital stock, not bonds.

Mr. VAUGHAN: There is some stock outstanding.

Mr. COOPER: The stock is shown on page 22.

Mr. JACKMAN: \$3,849,200, but that stock is worthless really.

Mr. COOPER: In our opinion absolutely worthless.

Mr. VAUGHAN: Yes. We do not propose to pay anything for it.

Mr. JACKMAN: What about those public markets there?

Mr. VAUGHAN: The public market is the Winnipeg stockyards. That is owned jointly by the Canadian Pacific railway and ourselves.

Mr. JACKMAN: I understand that you have some kind of slaughter-house?

Mr. VAUGHAN: We have no slaughter-houses. We have substantial stockyards, but we do not operate slaughter-houses. We have not come to that yet.

Mr. JACKMAN: Which item is that, the stockyards in Montreal? Who owns that?

Mr. COOPER: The stockyard is a fully owned subsidiary of the Canadian National Railways. That is not an affiliated company.

Mr. JACKMAN: Is this the big stockyard in Winnipeg?

Mr. VAUGHAN: Yes, it is. It is a profitable stockyard. It makes a return on the investment.

Mr. JACKMAN: Who owns the rest of it?

Mr. VAUGHAN: The Canadian Pacific Railway and ourselves own it jointly.

Mr. JACKMAN: The Vancouver hotel is doing very well now?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: Would you give us a breakdown statement on the hotels owned by the system; something similar to what you have in former years?

Mr. VAUGHAN: We can file that with you if you so desire.

CANADIAN NATIONAL HOTELS

Year 1944

	Revenues	Expenses	Taxes	Net
Charlottetown	\$ 164,603 92	\$ 136,263 87	\$ 5,155 61	\$ 23,184 44
Nova Scotian	826,489 50	583,329 02	19,832 90	223,327 58
Chateau Laurier	2,258,708 67	1,668,000 81	75,192 71	515,515 15
Prince Arthur	237,899 18	195,626 22	5,905 82	36,367 14
Fort Garry	667,058 01	504,112 55	30,331 89	132,613 57
Prince Edward	183,429 52	155,879 67	4,091 65	23,458 20
Macdonald	743,836 14	579,996 57	16,600 30	147,239 27
Bessborough	541,811 90	424,144 36	3,357 60	114,309 94

Mr. JACKMAN: Thank you.

Mr. REID: I would like to see how the Vancouver hotel is doing.

Mr. JACKMAN: That will hardly be possible. It is only half owned by the Canadian National.

Mr. REID: I know that.

Mr. VAUGHAN: The Vancouver hotel itself and the furnishings are entirely owned by the Canadian National Railways. The Vancouver Hotel Company, the operating company, is jointly owned by the Canadian Pacific Railway and ourselves. The Vancouver Hotel Company leases the hotel and furnishings from the Canadian National Railways.

Mr. REID: Have they changed the telephone system? It is the worst in the country.

Mr. VAUGHAN: Is that a fact?

Mr. REID: You have to wait three or four minutes any time you put in a call.

Mr. VAUGHAN: That is probably the fault of the telephone company. We will be glad to look into it.

Mr. REID: No, it is not the fault of the telephone company.

Mr. VAUGHAN: I will certainly look into that.

Mr. REID: That has been going on for the last three or four years that I know of.

Mr. NICHOLSON: Was there some special reason for taking the C.P.R. in on this?

Mr. VAUGHAN: There is a long story behind that, Mr. Nicholson. This hotel of ours remained unfinished for some time, work was stopped on it during the depression. Then an arrangement was made with the Canadian Pacific Railway Company. The hotel was finished, and under the agreement they undertook to close down their own hotel and not to operate it again as a hotel during the period of the agreement, which is for 21 years. The arrangement was intended to be beneficial to both parties.

The CHAIRMAN: Any questions on liabilities here?

Mr. REID: That is on page 12?

The CHAIRMAN: Yes. And now, page 13.

Mr. REID: I notice on page 13 reference is made to a deferred maintenance reserve of \$34,000,000; also there are items there for accrued depreciation. Would you mind explaining what "accrued depreciations" means?

Mr. COOPER: In the case of deferred maintenance the funds are separately invested. We have victory bonds to the amount of \$34,000,000. We are holding those funds because we will need them when the work gets under way; but in the case of accrued depreciation, the funds are not held in a separate fund but are used currently to finance capital expenditures.

Mr. BEAUDOIN: What about the use of your lines by the radio corporation; how much does that bring in the way of revenue per year, how much do you charge per line?

Mr. COOPER: The item in which the revenue is included you will find on page 13—the item of \$6,998,160.62.

Mr. BEAUDOIN: Have you got information on that? Possibly you could give us a breakdown of it at a later date.

Mr. VAUGHAN: That is a three-way contract, between the C.B.C., the C.P.R. and ourselves.

Mr. COOPER: The amount of revenue from broadcasting purposes in 1944 was \$409,583.

Mr. BEAUDOIN: And, how much do you charge per line?

Mr. COOPER: That is something I'll have to look up.

Mr. VAUGHAN: We have not the agreements with us.

The CHAIRMAN: Have you any more questions? Shall we turn over the the page?

Mr. NICHOLSON: Other current liabilities, \$12,612,178.23. That is a very large item compared with the other items listed in the breakdown, isn't it?

Mr. COOPER: Again I am pretty sure that the large proportion of that is due to the bonds which matured and which have not been presented for redemption. As you know, in July we called an issue of \$56,000,000 bonds, and at the end of the year there were between \$5,000,000 and \$6,000,000 of those bonds which had not been presented for redemption, although the interest on them stopped as of July 1st. I suppose when the holders did not collect their interest on January 1st they would wake up and turn them in. We have \$5,823,000 of the 5 per cent bonds which we call for redemption on July 1st, 1969; altogether we have 6 million dollars of different issues which have matured and for which the bonds have not been presented. Then there is an accrual against bills which have not been vouchered. For instance, bills have been received at the end of the year for fuel. We would take a debit in our fuel stock account and set up an accrued liability pending receipt of invoices. When we receive the invoices we voucher them and the amount is then transferred to accounts payable; a considerable amount of the \$12,000,000 represents unvouchered bills. There is always a certain carryover.

Mr. LACROIX: On page 13 I notice there is an item of capital expenditures for Canadian Government Railways amounting to \$377,614,971.84. Could you give us some explanation about that?

Mr. COOPER: When the Canadian Government Railways were entrusted to the Canadian National for management, and the revenues and expenditures for those railways were going into our operating accounts we felt that a corresponding investment item should be set up in the property investment account; so that the first item on page 12 of the balance sheet, road and equipment property, includes the ledger value of the Canadian Government Railways at the time they were entrusted to us for operation. The offset to that is this liability to the government. The funds were provided by appropriation of public moneys. The item represents the amount of money which the government of Canada invested in what we call the Canadian Government Railways.

The CHAIRMAN: All right, gentlemen, are there any more questions on page 14?

DOMINION OF CANADA—PROPRIETOR’S EQUITY ACCOUNT

	Balance at 31st Dec., 1943	Transactions year 1944	Balance at 31st Dec., 1944
CAPITAL STOCK OF CANADIAN NATIONAL RAIL- WAY COMPANY	\$ 18,000,000 00	\$	\$ 18,000,000 00
CAPITAL STOCK OF THE CANADIAN NATIONAL RAILWAYS SECURITIES TRUST			
Initial stated value	\$270,037,437 88	\$	\$270,037,437 88
Surplus earnings	64,719,007 29	23,026,924 35	87,745,931 64
Capital gains	19,105,651 38	.....	19,105,651 38
Capital losses	17,181,633 84	* 626,871 75	17,808,505 59
	<u>\$336,680,462 71</u>	<u>\$ 22,400,052 60</u>	<u>\$359,080,515 31</u>
CAPITAL EXPENDITURES BY DOMINION OF CANADA ON CANADIAN GOVERNMENT RAIL- WAYS	\$377,614,971 84		
Nominal consideration for transfer of property		\$ 1 00	\$377,614,970 84
	<u>\$732,295,434 55</u>	<u>\$ 22,400,051 60</u>	<u>\$754,695,486 15</u>

* Loss on abandonment of dock facilities at Seattle, Wash.

All right then, page 15, operating revenues and operating expenses:

OPERATING REVENUES

	1944	1943
Freight	\$317,735,454 78	\$320,758,860 87
Maritime Rates Reduction	3,853,273 61	4,140,862 77
Passenger	69,776,256 67	66,891,033 94
Baggage	156,989 88	130,045 98
Sleeping Car	4,564,393 26	4,177,870 17
Parlor and Chair Car	226,215 49	217,126 00
Mail	4,204,761 03	4,047,893 92
Railway Express Agency	632,953 99	630,036 91
Express	17,375,188 97	16,860,746 10
Other Passenger-Train	28,720 17	14,079 88
Milk	429,094 53	432,293 55
Switching	3,294,605 94	3,092,258 36
Water Transfers	190,916 37	137,498 71
Dining and Buffet	4,471,567 77	4,711,769 37
Restaurants	272,862 79	131,986 46
Station, Train and Boat Privileges	582,179 49	432,043 30
Parcel Room	153,319 74	149,151 84
Storage—Freight	75,808 82	97,879 32
Storage—Baggage	97,881 62	80,652 28
Demurrage	1,886,518 72	2,442,762 99
Telegraph Commission (U.S.)	14,281 72	14,096 83
Telegraph—Commercial	6,998,160 62	7,089,378 82
Grain Elevator	539,617 91	530,487 67
Rents of Buildings and Other Property	779,617 34	633,436 54
Miscellaneous	2,179,313 58	2,162,239 27
Joint Facility—Credit	736,613 73	713,175 05
Joint Facility—Debit	109,058 19	103,172 32
	<u>\$441,147,510 35</u>	<u>\$440,615,954 58</u>

OPERATING EXPENSES

MAINTENANCE OF WAY AND STRUCTURES

Superintendence	\$ 4,100,471 88	\$ 3,400,526 42
Roadway Maintenance	8,660,168 89	6,976,895 50
Tunnels and Subways	38,050 80	50,985 29
Bridges, Trestles and Culverts	2,424,967 38	1,838,391 52
Ties	8,294,237 25	6,190,555 28
Rails	4,026,706 50	3,237,902 31
Other Track Material	3,229,879 48	2,774,329 90
Ballast	1,502,041 15	1,437,333 74
Track Laying and Surfacing	18,979,235 81	15,801,141 43
Fences, Snowsheds and Signs	561,071 48	467,317 50
Station and Office Buildings	2,779,798 12	2,201,496 33
Roadway Buildings	310,629 38	288,416 79
Water Stations	561,950 03	488,874 36
Fuel Stations	278,713 86	288,153 91
Shops and Enginehouses	2,077,034 31	451,188 58
Grain Elevators	49,880 56	44,037 08
Wharves and Docks	227,927 51	249,401 82
Telegraph and Telephone Lines	1,074,642 24	970,338 59
Telegraph—Commercial	1,257,556 44	998,103 66
Signals and Interlockers	1,172,196 40	996,918 24
Power Plants	24,669 57	8,023 77
Power Transmission Systems	194,408 10	110,311 74
Miscellaneous Structures	4,824 63	2,884 36
Road Property—Depreciation—U.S. Lines	764,133 41	763,317 87
Road Property—Retirements	1,564,321 77	2,286,928 41
Deferred Maintenance	6,500,000 00	8,150,000 00
Roadway Machines	540,607 28	467,957 41
Dismantling Retired Road Property	90,363 99	111,193 83
Amortization of Defence Projects	1,002,284 68	1,005,600 84
Small Tools and Supplies	884,498 50	777,648 28
Removing Snow, Ice, and Sand	2,829,113 49	3,758,971 39
Public Improvements—Maintenance	370,190 41	293,874 98
Injuries to Persons	370,295 76	515,272 59
Insurance	24,666 53	20,017 20
Stationery and Printing	66,657 97	59,994 41
Other Expenses	39,742 94	37,349 52
Maintaining Joint Tracks, Yards, etc.—Debit.....	794,153 26	838 314 80
Maintaining Joint Tracks, Yards, etc.—Credit.....	1,727,321 52	1,570,372 58
Right of Way Expenses	68,484 40	51,366 39
Protective Services	190,650 95	497,466 00
	<hr/>	<hr/>
	\$ 76,503,925 59	\$ 67,308,429 46

Mr. NICHOLSON: In connection with the item on passenger revenues, I see there has been an increase in 1944 as compared with 1943. I wonder if the president could make an additional statement to the one he made this morning regarding their plans for the post war period? There is a good deal of talk in the United States about speeding up services and putting new equipment on the railroads. Realizing that transport is going to be a highly competitive industry, could Mr. Vaughan make some statement about that?

Mr. VAUGHAN: We have had a committee for some time studying the various matters to which you refer: the merits of stream-line trains, Diesel equipment versus steam equipment; and we have been going in a rather exhaustive way into every matter which we think might mean an improvement in service and perhaps a decrease of cost. Of course, improvement in equipment does not always mean a decrease in cost. But we are studying all these matters. We realize that we are going to get keen competition as time goes by from the highways, from water, from the airways; and we are studying ways and means of meeting it.

Mr. NICHOLSON: How far along are you with your plans, and how soon will equipment be available?

Mr. VAUGHAN: We are getting reports from time to time on these matters. We have to study the economy of each situation very carefully, because we

do not want to go haywire and spend a lot of money that is not going to bring us a return. These things have to be very carefully studied. While in the United States streamlined trains between two thickly populated cities may be operated profitably there are not very many places in Canada of that nature, and we might find it difficult to make trains of that kind pay. However, we are determined that we are going to keep this railroad up-to-date and we have a number of things in mind which we are not saying very much about until our plans are more matured.

Mr. NICHOLSON: In the west there is a general feeling that if some more convenient service were available the railways would thereby have a chance of getting a share of the business. There is so much freight handled on most of our western branches that unless we can speed up service by rail the buses are going to get more than their share as soon as bus equipment becomes again available.

Mr. WALTON: If we do not speed up the L.C.L. freight, trucks will get that.

Mr. REID: Can you explain the apparent falling off in revenue from dining and buffet car service—that is shown there on page 15?

Mr. WALTON: I can answer that, Mr. Reid. There is a drop in revenue in 1944 as compared with 1943 in the dining and buffet car revenue; and our records show that it is practically all due to a smaller number of meals being served to the armed forces. There were less of them travelling and being served meals in 1944 as compared to 1943. You see, we did not have as heavy an overseas movement going, and the returning movement had not started. That meant that fewer meals were served to members of the armed forces in 1944 than in 1943.

Mr. EMMERSON: Isn't there an increase in maintenance?

Mr. WALTON: I do not think there is any department you will turn to that does not show increased expenses.

Mr. HAZEN: Speaking of passengers, whom do you issue passes to?

Mr. VAUGHAN: The Clerk of the House issues identification cards to members of parliament.

Mr. HAZEN: Under the Railway Act.

Mr. VAUGHAN: The Board of Transport Commissioners have rules and regulations which prescribe those to whom free transportation may be issued. We can only issue free transportation in accordance with those rules of the Board of Transport Commissioners. If there is any question about whether or not a person would be entitled to free transportation—for instance some celebrity might come to this country and we or some other railroad might want to give him free transportation for some special reason—we would have to ask the Board of Transport Commissioners if they would permit us to issue a pass to that person.

Mr. HAZEN: Do dominion government employees get passes?

Mr. VAUGHAN: No, sir.

Mr. HAZEN: None of them?

Mr. VAUGHAN: Just the Department of Railways.

Mr. EMMERSON: The Department of Transport.

Mr. VAUGHAN: Some of the employees of the Department of Transport do, yes; those who are engaged in railway work.

Mr. EMMERSON: Do you issue passes to the press?

Mr. VAUGHAN: Under certain conditions.

Mr. EMMERSON: Just as the C. P. R. do?

Mr. VAUGHAN: I think Mr. Thompson can tell us something about that.

Mr. WALTER THOMPSON: You are asking if we issue passes to the press?

Mr. EMMERSON: Yes.

Mr. THOMPSON: The terms of the Railway Act, as I remember them, are to the effect that it shall be illegal for any railway to issue free transportation to other than the following: members of the Senate, members of the House of Commons, members of the press. They are specifically included in the Railway Act of Canada. There is certain transportation issued to the Press under strict supervision of the Board of Transport Commissioners; but a statement must be made to the Board of every piece of transportation issued, the reasons for its usage, and it is very carefully checked. It is done with the full authority of the law passed by our Parliament, and is kept down to reasonable limitations both by the press themselves and by the railway companies, and by the Board of Transport Commissioners.

Mr. REID: Is it not a fact that what is called a pass to members of the House of Commons and the Senate is in law a request, or a requisition on the railway companies to transport the members of the House of Commons and the Senate, differentiating it from a pass issued to a railway employee or some one else? I remember two years ago bringing my girl here to continue her education and the officials refused to issue her a berth because they said she was travelling on a pass. I maintain that it was not exactly a pass, because it was a requirement of the law, on a request to the railway, to carry a member of parliament and his family. This, as you know, was done for a very good reason, to keep members of parliament from being handed things.

Mr. VAUGHAN: I do not think a family is included.

Mr. REID: A person under 21, whom you are supporting. Every member and every senator who has any member of his family—

Mr. HAZEN: I do not think it states that in the Act.

Hon. Mr. CHEVRIER: I have the section here. It is section 346. It covers members of the Senate and House of Commons of Canada. I do not think the family are entitled by virtue of the Railway Act.

Mr. HAZEN: Does it not say, "upon production of their card"? It is not called a pass.

Hon. Mr. CHEVRIER: That is right. Do you wish me to read it?

Mr. REID: Yes.

Hon. Mr. CHEVRIER: Very well. Section 346 reads:

Members of the Senate and House of Commons of Canada, with their baggage, and members of the Board and such officers and staff of the Board as the Board may determine, with their baggage and equipment, shall, on production of cards, certifying their membership or right, which shall be furnished them by the Clerk of the Senate or the Clerk of the House of Commons or the Secretary of the Board, as the case may be, be entitled to free transportation on any of the trains of the company; and the company shall also, when required, haul free of charge any car provided for the use of the Board.

Then section 347 goes on to say that, subject to a number of preceding sections, no company shall issue or give any free ticket or free pass, without specific authority.

Mr. EMMERSON: The railway also issues transportation to provincial members.

Mr. HAZEN: Within the province.

Mr. EMMERSON: Within the province, that is true. They are limited in range.

Mr. VAUGHAN: Yes; within their province only.

Mr. SHAW: Are those passes issued to M. L. A.'s merely complimentary passes?

Mr. VAUGHAN: Yes, sir.

The CHAIRMAN: Are there any other questions on operating revenues?

Mr. HAZEN: Mr. Chairman, in Mr. Vaughan's statement to the minister, page 9, he says that the combined revenues of the year-round hotels amounted to \$5,639,000. Could he tell us the combined expenses of the year-round hotels for 1944?

Mr. VAUGHAN: A gentleman over here asked us to file a statement on the earnings and expenses of the hotels and we intend to do that. You will have a statement of that filed.

Mr. NICHOLSON: In connection with these operating revenues, I wonder if Mr. Vaughan could make any statement regarding the sleeping car program? Are we likely to have as been a demand for sleeping car space in the next five years as we have had in the last five? And if so, what plans are being made to take care of it?

Mr. VAUGHAN: I do not think the demand will be as great; and we will be able to put more sleeping cars back onto the regular runs again than we have at the present time. I think there will be plenty of sleeping cars for everybody within six months or a year's time.

Mr. NICHOLSON: I think perhaps during the last four or five years a great many people have been using sleeping cars who previously did not use them, and I imagine the demand will possibly be a good deal keener; and having a trans-continental service, I should imagine that more sleepers would be required than we had. Have you any plans under way in that regard?

Mr. VAUGHAN: We have plans under way for some new sleeping cars. Plans and specifications are in the course of preparation now.

Mr. NICHOLSON: Can you make any statement as to how many?

Mr. VAUGHAN: We have not determined how many yet. There will be quite a few, though. We do not want to order too much equipment until we see how everything balances up when these troop movements are over. There are a large number of sleeping cars that are now being used in troop movements that will be available to the public.

Mr. NICHOLSON: I should think that a company of the size of the Canadian National should be giving a lead in providing employment for the next few years; and the manufacturing of some of this equipment would seem to me to be a legitimate type of undertaking by which to employ materials and man power.

Mr. VAUGHAN: We have a substantial amount of new passenger equipment under consideration which we hope to order at an early date.

Hon. Mr. CHEVRIER: There is some being manufactured now.

Mr. LACROIX: Is it your intention to enter the bus business on a large scale?

Mr. VAUGHAN: We, of course, have some buses now and we are studying routes with a view to determining if it is desirable to put buses on any other services. We do not want to go directly into competition where there are already bus lines giving a satisfactory service; and a good many of the highways are already fairly well provided with buses by well-established companies.

Mr. LACROIX: I see; that means competition for your company.

Hon. Mr. CHEVRIER: Certainly it does.

Mr. HARKNESS: I see under operating revenues, grain elevator, \$539,000; and under operating expenses, \$49,880; and again under miscellaneous, \$287,000. Why is that in two items as far as expenses are concerned?

Mr. VAUGHAN: Mr. Cooper can tell you that, I think.

Mr. HARKNESS: What is the story on those grain elevators?

Mr. COOPER: We have an elevator at Tiffin, one at Portland and one at St. John; but I do not think that I can answer that question without more detail than I have here.

Mr. HARKNESS: I was wondering why those expenses were split into two items, one under straight maintenance of way and structures and the other under miscellaneous.

Mr. COOPER: The item in maintenance would be maintenance of the building itself and the other item would be operating costs; just as in the railway you see under maintenance of way the cost of maintaining the track and the buildings, and over in the transportation account you see what we call the costs of operation, the cost of operating the trains.

Mr. HARKNESS: The total shows a profit of around \$200,000. Is that fairly typical?

Mr. COOPER: I would think that was better than normal. The revenue at St. John was \$34,000. The expenses were \$50,000. So there was a loss there of \$16,000. With the one at Portland, the revenue is \$107,000 and the expenses were \$193,000. There was a loss there of \$86,000. Then at Tiffin—that is at Midland—the revenue is \$397,000; the expenses were \$106,000 and the net profit was \$291,000. The three elevators combined show a profit of \$188,000. That is the revenue as compared with the cost of maintaining and operating these elevators.

Mr. HARKNESS: That includes depreciation, I suppose, of the elevators?

Mr. COOPER: No, sir. We do not take up depreciation on that property.

Mr. REID: Why is it that there are two different items of grain elevators on page 15, under the heading we are discussing now?

Mr. HARKNESS: He has just finished answering that question.

Mr. REID: I am sorry.

Mr. COOPER: The first item under the heading of maintenance is maintenance of structure itself and the second item is the cost of operating the elevator.

The CHAIRMAN: Are there any other questions under operating expenses, gentlemen?

Mr. HARKNESS: Just one other question on these grain elevators. The rates charged, I presume, are those set by the Board of Grain Commissioners or this board that deals with rates and so on?

Mr. VAUGHAN: That is correct.

The CHAIRMAN: Can we turn over to operating expenses, maintenance of equipment, traffic, and transportation?

Some hon. MEMBERS: Yes.

STANDING COMMITTEE

OPERATING EXPENSES (Continued)

Maintenance of Equipment	1944	1943
Superintendence	\$ 1,631,670 35	\$ 1,380,610 64
Shop Machinery	1,994,656 93	1,405,443 40
Power Plant Machinery	108,904 48	65,296 35
Machinery—Retirements	89,900 85	280,173 62
Machinery—Depreciation—U.S. Lines	65,993 10	64,968 69
Dismantling Retired Machinery	2,849 50	6,017 31
Steam Locomotives—Repairs	23,100,702 73	20,520,105 61
Other Locomotives—Repairs	300,952 75	187,668 43
Freight-Train Cars—Repairs	16,673,746 56	14,406,357 85
Passenger-Train Cars—Repairs	9,126,776 80	7,960,260 28
Floating Equipment—Repairs	437,205 04	400,698 33
Work Equipment—Repairs	2,172,248 56	1,873,455 01
Express Equipment—Repairs	188,324 36	144,423 02
Miscellaneous Equipment—Repairs	167,614 95	116,630 53
Miscellaneous Equipment—Retirements	6,923 44	2,719 28
Dismantling Retired Equipment	52,492 63	64,536 76
Equipment—Depreciation	19,853,984 95	19,829,613 32
Express Equipment—Depreciation	160,026 91	156,206 50
Injuries to Persons	510,255 63	433,855 00
Insurance	21,570 70	19,028 25
Stationery and Printing	53,460 21	47,004 37
Other Expenses	11,032 95	11,949 24
Joint Maintenance of Equipment—Debit	209,053 73	207,565 49
Joint Maintenance of Equipment—Credit	225,055 36	218,056 55
Deferred Maintenance—Equipment	3,500,000 00	3,000,000 00
	<u>\$ 80,215,292 75</u>	<u>\$ 72,366,530 73</u>

Traffic	1944	1943
Superintendence	\$ 2,210,788 63	\$ 1,972,998 40
Outside Agencies	2,829,028 45	2,624,847 08
Advertising	331,246 72	381,445 84
Traffic Associations	122,579 63	105,822 89
Stationery and Printing	262,000 71	291,048 74
Other Expenses	233 44	17 52
Industrial Bureau	111,648 49	95,089 70
Colonization, Agriculture and Natural Resources ...	191,167 45	175,810 04
	<u>\$ 6,058,693 52</u>	<u>\$ 5,647,080 21</u>

Transportation	1944	1943
Superintendence	\$ 4,009,532 29	\$ 3,510,848 32
Dispatching Trains	2,266,139 69	2,034,611 77
Station Employees	24,540,076 41	21,028,176 95
Weighing, Inspection, and Demurrage Bureaus	108,434 83	90,708 24
Station Supplies and Expenses	1,812,688 60	1,600,008 13
Yardmasters and Yard Clerks	4,713,325 42	4,141,427 14
Yard Conductors and Brakemen	8,493,169 31	7,869,756 38
Yard Switch and Signal Tenders	881,830 24	789,635 34
Yard Enginemen	5,385,722 59	5,145,431 14
Yard Motormen	628,486 59	430,985 09
Yard Switching Fuel	6,643,950 27	6,297,106 30
Yard Switching Power Produced	16,571 72	9,632 05
Yard Switching Power Purchased	98,296 02	101,380 03
Water for Yard Locomotives	209,572 15	198,213 39
Lubricants for Yard Locomotives	80,098 41	80,672 60
Other Supplies for Yard Locomotives	53,522 20	49,464 72
Enginehouse Expenses—Yard	2,075,708 61	1,771,962 44
Yard Supplies and Expenses.....	183,169 35	166,628 40
Operating Joint Yards and Terminals—Debit	1,771,465 75	1,558,270 73
Operating Joint Yards and Terminals—Credit	2,056,723 75	1,965,670 87
Train Enginemen	15,723,643 52	14,612,370 91
Train Motormen	122,442 39	114,602 84
Train Fuel	36,685,000 61	33,447,645 27
Train Power Produced	12,686 19	17,916 08
Train Power Purchased	44,177 83	58,537 43
Water for Train Locomotives	1,352,320 18	1,279,597 99
Lubricants for Train Locomotives	566,191 83	540,069 96
Other Supplies for Train Locomotives	309,738 45	284,984 01
Carried Forward	<u>\$116,731,237 70</u>	<u>\$105,264,972 78</u>

Enginehouse Expenses—Train	5,949,232 39	5,152,917 65
Trainmen	18,061,650 85	16,250,269 83
Train Supplies and Expenses.....	10,987,421 68	9,839,359 66
Operating Sleeping Cars.....	2,003,564 87	1,762,137 90
Signal and Interlocker Operation.....	582,601 02	519,634 20
Crossing Protection	854,335 45	764,211 32
Drawbridge Operation	132,389 16	121,717 82
Telegraph and Telephone Operation.....	436,578 56	389,983 62
Telegraph—Commercial	5,371,875 16	4,721,131 28
Operating Floating Equipment.....	1,245,491 30	1,152,710 36
Express	9,415,564 85	7,742,672 35
Stationery and Printing.....	698,296 38	650,390 99
Other Expenses	1,244,142 92	1,139,639 79
Operating Joint Tracks and Facilities—Debit.....	833,207 47	743,402 61
Operating Joint Tracks and Facilities—Credit.....	483,333 47	492,321 93
Insurance	14,366 29	11,645 86
Clearing Wrecks	481,578 18	556,223 80
Damage to Property	119,443 07	68,201 67
Damage to Live Stock on Right-of-Way.....	76,521 27	76,953 33
Loss and Damage—Freight.....	1,772,776 52	1,412,664 81
Loss and Damage—Baggage.....	20,115 25	13,682 08
Injuries to Persons.....	1,340,642 16	1,615,246 55
	<u>\$177,889,699 03</u>	<u>\$159,477,448 33</u>

Miscellaneous

Dining and Buffet Service.....	\$ 5,325,339 60	\$ 4,897,656 95
Restaurants	272,580 27	138,501 21
Grain Elevators	287,379 59	305,397 73
Other Miscellaneous Operations.....	37,078 91	38,860 86
	<u>\$ 5,922,378 37</u>	<u>\$ 5,380,416 75</u>

General

Salaries and Expenses of General Officers.....	\$ 502,657 22	\$ 473,179 16
Salaries and Expenses of Clerks and Attendants....	6,590,951 86	5,607,560 78
General Office Supplies and Expenses.....	300,660 92	292,898 58
Law Expenses	392,428 05	339,984 73
Relief Department Expenses.....	27,500 00	27,500 00
Pensions	7,641,801 74	7,083,929 75
Stationery and Printing.....	235,468 17	203,924 51
Valuation Expenses	15,793 89	14,237 01
Other Expenses	211,902 55	222,827 27
General Joint Facilities—Debit.....	49,294 41	40,909 03
General Joint Facilities—Credit.....	11,404 54	11,186 80
	<u>\$ 15,957,054 27</u>	<u>\$ 14,295,764 02</u>

Mr. REID: What do you mean by train power purchased, the two items there on page 16? What is meant by that?

The CHAIRMAN: What is that question?

Mr. REID: What is meant by train power purchased, the two items there.

The CHAIRMAN: That is under transportation, near the bottom of the page.

Mr. WALTON: There are two items. There is train power produced and train power purchased. One is power that we produce ourselves for operation and the other is where the power is purchased. For instance, Montreal has electric locomotives which operate on power purchased from the power commission.

Mr. VAUGHAN: From the Quebec Hydro-Electric.

Mr. WALTON: Yes.

Mr. NICHOLSON: I wonder if any plans have been made to modernize the cabooses on the freight trains? A lot of the railway crews spend a large part of their lifetime in those cabooses, and it seems to me to be a fairly reasonable expenditure to have electricity installed and to make them a little more comfortable.

Mr. VAUGHAN: We are improving our cabooses right along. We have nearly always got some cabooses in the shops with improvements being made to them. We recently put in some special lights.

Mr. WALTON: We are just doing it now.

Mr. NICHOLSON: Are they electric lights?

Mr. VAUGHAN: No.

Mr. NICHOLSON: How expensive would it be to provide electricity in the cabooses? You have got electricity in nearly all the passenger cars now?

Mr. WALTON: It would be a heavy expense. I would not care to name a figure, just what it would cost to equip all cabooses with electric light.

Mr. MAYBANK: I think there is something more important than that. I think that the cabooses should be equipped with green baize tables, and supplied with poker chips and good cards.

Mr. NICHOLSON: A good many of the men, particularly in the west, spend their week-ends in those cabooses. In fact, they spend a lot of their lifetime in them. It seems to me that the railways with their improved finances might help the morale of the train crews considerably by making these cabooses more comfortable.

Mr. VAUGHAN: We have meetings from time to time with the heads of the various orders including the brotherhood of railroad conductors and train men, and they are making presentations to us from time to time in regard to improvements in the cabooses and we are carrying them out as best we can. They have not yet got to the point of asking for electric lights. I do not think that would be practical, because we would have to have charging machines all over the country to recharge the generators, and it would be a tremendous expense. I do not think it would be practical. But I do think that these new lights that we are putting in will be practical and that we have improved cabooses in general.

Mr. NICHOLSON: The cabooses I am thinking of have old-fashioned coal oil lamps. Now, the conductors have certain reports to make out. In the cabooses in the middle of the night, and it is a real fire hazard to have these coal oil lamps.

Mr. VAUGHAN: We are trying out these new lamps now at the request of the train men.

Mr. EMMERSON: I wonder who selected the new colour of the cabooses?

Mr. VAUGHAN: The men like that new colour because they can always tell where the end of their train is. It is really a safety device.

Mr. REID: There is an increase under colonization and agriculture and natural resources of \$190,000. Just what is done under that item?

Mr. VAUGHAN: We have quite a substantial colonization and agricultural department that embraces many activities. They are putting new settlers in the various provinces all the time they are providing labour for lumber camps, and farms. We are constantly bringing settlers from the Old Country—not so many recently. Every month there are several hundred settlers coming in from the Old Country who have to be placed and looked after. Before the war we brought in a number and put them in your province. They were good Dutch and Swiss settlers. We have offices in London and in several of the important places in Canada, and the departments referred to are cooperating all the time with various departments of the provincial governments and of the dominion government. Our men go around trying to improve the quality of stock and the type of produce grown. Generally speaking, we have a very active colonization and agricultural department.

Mr. MUTCH: Have you any representatives of that department in the United States at the present time?

Mr. VAUGHAN: Yes. I think we have one in St. Paul or Minneapolis. Minneapolis, I think it is?

Mr. MUTCH: Minneapolis, yes.

Mr. PICARD: When we were talking about buildings and stations this morning, and about maintenance, I had in mind getting some more details from you. I notice that under stations and office buildings there is an increase of \$500,000

from 1943 to 1944. Do you expect there will be more money available during the coming year, 1945, for maintenance of stations?

Mr. VAUGHAN: We hope there will be more labour and material available to enable us to improve some of our stations in 1946.

Mr. PICARD: Is it a policy of the company that they should light the stations with electric lights?

Mr. VAUGHAN: Where there is electric light available, or where it can be economically done, we do it.

Mr. PICARD: I have a case in mind where the station master had electricity installed in his own apartment. Then there were submissions made by the municipality and the local council and so on to try to get the railway company to extend the electric light, and to pay for it, for the station itself. The station master has got to pay for his own power. It is brought in for his own apartment but by means of a short extension and at very small cost it could be possible to light the station with electricity. Yet the cost is too much for the company.

Mr. VAUGHAN: If you will tell me what the place is, Mr. Picard, we will see what can be done about it.

Mr. PICARD: There are quite a few villages served by that station, and there is an orphanage and an old people's home. Nearly 2,000 people are served in three different communities by that station, yet, in the winter time, when they get off the trains onto the platform which may be slippery, there is very little light, in spite of the fact that a short extension of the power could be made which would light that platform.

Mr. VAUGHAN: That is probably something which has never been recommended to headquarters. We have a superintendent down there who is probably very economical.

Mr. PICARD: I think so. Again, is it not possible to do more in the way of providing sanitary accommodation in stations, water closets, if you like. I have one case in mind which I took up. I got a letter in reply, a wonderful letter. I always get wonderful letters from the chairman, awfully polite letters. They came to the conclusion that it was too expensive to install toilet facilities in the station. Now, I would not like to say that the trains at that point are often late, but due to the movement of troop trains, it happens, sometimes even in peace time, that people have to wait for quite a long time in that station where there are no facilities at all. There is a house next door to the station which has modern facilities installed. The occupant of that house is not a very wealthy man either. But I got an answer from the railway company about the difficulty of providing installations during war time.

Mr. VAUGHAN: We are constantly improving our stations and we are putting in a number of toilet facilities at a number of points. I do not know about these ones you speak of, but if you will give me the name of them we will see what can be done about them.

Mr. PICARD: I have another point. There is another station which it costs the company quite a good deal of money to heat. There are two public rooms, one for women and one for men, and in the centre is the office of the telegraph operator. There is a big stove in one room and a big stove in the other room. The result is that the telegraph operator freezes and the people in the two rooms are too warm. Yet, installed in the back room of his apartment in the station, the station master himself has put in a furnace, at his own expense. The superintendent refuses to approve that the station be heated by that furnace system. I know that war-time conditions are hard, but I would like to know now that we are resuming better times if we may hope to get these things corrected?

Mr. VAUGHAN: If we are told about these things, and informed of the places you are referring to, we will be glad to look into each individual case.

Mr. PICARD: It may be that the superintendents have a budget and that they want to show that they are good operating men and so they do not want to get into too many increased expenditures.

Mr. VAUGHAN: Perhaps they think the people want too many conveniences.

Mr. PICARD: Do you think that would be too many, to have maybe a toilet and electric light?

Mr. NICHOLSON: Before we leave operating expenses, I wonder if the officials of the railway could give us an estimate of the cost of operating a passenger train for 100 miles, for example. I had some correspondence with respect to the extension of service from Yorkton to Flinflon. The transit controller said they wanted to conserve all equipment. What would that cost be per hundred miles?

Mr. VAUGHAN: Well, each individual case has to be dealt with separately. For example there is the matter of variation in the cost of fuel at each point. Then you have got to reckon the cost of hauling that fuel to the coal docks, where the coal is put in the engine. There are so many things which enter into the cost. I do not know whether that particular case has been brought to our attention or not. Has it, Mr. Walton?

Mr. WALTON: No, it has not.

Mr. NICHOLSON: The equipment is tied up in Yorkton from Saturday night to Monday morning, and I understand that the equipment could be used and that the most profitable run would be over the week-end.

Mr. VAUGHAN: There are also schedules which enter into the picture. However, we will look into that case.

Mr. WALTON: Is that a run that was previously on, but which was taken off by order of the transport controller?

Mr. NICHOLSON: It was introduced at the beginning of the war and I understand it has been very profitable. The trouble is that there have been only two trains a week, and there has been quite an agitation to extend the service. The argument was that the equipment would wear out more quickly during the war. I wonder how much more revenue you will have to have per one hundred miles?

Mr. WALTON: I do not think we could give you a satisfactory figure here. I will look into it and see what it is.

Mr. REID: I wonder why the great terminus of the Canadian National railways in British Columbia has been neglected over the years, Port Mann?

Mr. VAUGHAN: I do not think it has been neglected.

Mr. REID: I have received two delegations of men from the shops who have laid a serious matter before me, pointing out that the machinery had been left to become antiquated and that much of the work which was formerly done there had been sent back to Winnipeg. These delegations came to me this year. Two were from the labour unions and they pointed out that the machinery had just left the terminus.

Mr. VAUGHAN: You mean that the machinery has been taken away?

Mr. REID: The work had been taken away due to the fact that a lack of the antiquated machinery or equipment had never been modernized.

Mr. VAUGHAN: I do not think that would be the reason it had been taken away, but rather because it was more economical to do the work at some other point. That would be the real reason why it was taken away.

Mr. REID: He said that the work had been sent out to Winnipeg and brought back again.

Mr. WALTON: Our policy, as far as possible, is to concentrate repair work at certain strategic points. Actually, one disadvantage that we suffer as

compared with the Canadian Pacific is that we operate more repair points than they do, and each additional shop involves that much more overhead that increased our expenditure. Our general policy is, as far as possible, to handle the work at the fewest number of points.

Mr. VAUGHAN: However, we will look into that case at Port Mann now that it has been brought to our attention. The officials of our line are being urged all the time to operate as economically as possible and they are always trying to find ways and means of saving a dollar. We could not succeed, if we did not do that. We will look into that and let you know about it.

Mr. HAZEN: In connection with dangerous underpasses, where the highway goes under the railway tracks, has the railway any responsibility to correct that situation, or does it come under the Department of Transport, or is it a matter purely for the municipalities?

Mr. VAUGHAN: Wherever there is a complaint in a matter of that kind it usually comes before the Board of Transport. They have an organization for investigating complaints of that nature. If they think the railway is in any way responsible they will take it up with the railway. I do not know what particular place you have in mind.

Mr. HAZEN: The one I have in mind is at Fairvale, some two or three miles from Rothsay, in King's county, New Brunswick, where the road goes under the railway tracks and there is a bad turn. Of course, the railway track was built there before cars were ever invented. It is a very dangerous spot.

Mr. VAUGHAN: In that case the railway would be senior and there would be no obligation on the part of the railway. It would be on the part of the province, the highway department.

Mr. MAYBANK: Something of that sort is in my mind. This just illustrates how one question brings on another. I do not think it would have struck me at this moment if it had not been for that. Mr. Mutch and I are both interested in this. It is not the part of Winnipeg which he represents but on the other hand I am his most distinguished voter as I always vote for him. I live there. You will know it, Mr. Walton. It is at the boundary of the city of Winnipeg on the highway leading down to Emerson called the Pembina Highway. It was about 1930 when you built the subway there and the permanent abutments are up for receiving track but for reasons which I understand were temporary, and obviously they were intended that way, you put the tracks on temporary trestles. Now the permanent abutments are still there without the track. What picture can you give us of the probable future of that situation? When are you going to do something about the yards and that sort of thing in connection with it?

Mr. WALTON: There was a plan for yard revision and extension in Winnipeg. It looked to us at the time that the Pembina Highway subway was built that it would be proceeded with but we have gone through the war with all the traffic we have had and have not needed it, and I question whether we will now.

Mr. MUTCH: Is it not correct to say you have not needed it because of the beginning which was made?

Mr. WALTON: That situation has been very much relieved by the present set-up compared with what it was before that.

Mr. MUTCH: Your original intention was to wipe out Portage Junction and withdraw the yards within that area.

Mr. WALTON: That is right.

Mr. MAYBANK: It looks rather odd to have permanent abutments for tracks standing up there and nothing on top of them.

Mr. MUTCH: That is the principal entrance into Manitoba for tourists, and there is not only that. I should like to suggest that in its present condition we have had a long series of accidents under the present situation which is not as dangerous as it was. There is a dividing pillar built a long way back but even so under normal traffic conditions in its present condition it is a menace.

Mr. WALTON: Are there any reflectors or any warning?

Mr. MUTCH: They have built one of these cement islands about one hundred yards from the central pier but people still go around it and hit it occasionally.

Mr. WALTON: As far as the railway requirements are concerned there is no immediate need for us to do anything different. If there is a bad highway condition that we created perhaps we could do something about it, either a better warning arrangement or something else.

Mr. MUTCH: To be perfectly fair actually what you have done has made a wholly impossible highway situation passable but it is not finished business. It looks like a memorial to the pre-1935 election, as a matter of fact.

Mr. EMMERSON: I wanted to ask a question of Mr. Walton bearing on his reply to Mr. Reid as to the reducing of points of repair. For instance, in 1944 you moved around fifteen of the larger type of locomotives to Montreal for heavy overhaul rather than do them in Moncton shops. Was it due to the fact that since your reorganization there two or three years ago your unit cost has gone up?

Mr. WALTON: No. We would leave those engines at Moncton and repair them there if we were in a position to handle them but we are handling all the work at Moncton that we can handle and we required the engines so we spread the work around among some of the other shops. That is a temporary condition. I would think when business drops to a certain extent, as it possibly will compared with wartime levels, Moncton will keep up with the work of repairing engines on the territory that centres on Moncton, but we just have not been able to keep up with the repairs with the high usage that has been made of the locomotives for some months.

Mr. VAUGHAN: We have had to transfer many additional locomotives to the Atlantic region. You remember we put up a big new erecting shop at Moncton since the war started. That plant is working to capacity and as Mr. Walton says this is simply a temporary measure because they are behind at Moncton with their engine repairs at the present time. They have had so many engines to look after.

Mr. WALTON: If we could get additional men and they could be worked in then we would put them on at Moncton.

Mr. EMMERSON: Is it a case that you cannot get additional men or that they cannot get the work out?

Mr. WALTON: Oh no, we can get the work out.

Mr. VAUGHAN: It is largely a matter of manpower.

Mr. PICARD: Have you any definite rules in your company governing the employment of new men, train men, engine men, yard men, and so on? How is it done?

Mr. VAUGHAN: There are specific rules and conditions of employment laid down. They are the same all over the system.

Mr. PICARD: For instance, I have in mind a case where a veteran came back from the war after three years with the South Saskatchewan regiment. He is a local Quebec resident who was in the west when he enlisted. He tried to get employment with the company and was told there was no job for him although he was competent. He was examined and they said, "Yes, he is

satisfactory", but they had no job for him. Three weeks later they employed three other men who were veterans, too, but they had applied afterwards. He inquired about it and they said they had no definite rules and that they did not have any place when this man applied but there were some places when the three men applied. I said, "You should have a waiting list and have the men of the district on call according to their date of application. If they are competent they should be called according to the date they applied."

Mr. VAUGHAN: That is the general rule which is followed. It may be the men who were taken on first had been in our employ previously.

Mr. PICARD: No. If they had been there would be no complaint but they were entirely new to the company. The only answer I got was when this other chap applied there was no job available but when they applied there was. I said, "That is childishness. The civil service or any other company have a waiting list, and if a man applies and is judged competent he is called when his turn comes." I was told, "We have no definite set of rules."

Mr. VAUGHAN: I do not know that we have a list of that kind. We have so many men applying for employment all over the system. If a man comes in today and we have not got a job for him we may take his name and record it. The man who is on the job when the vacancy is there is the man who gets the job as a rule.

Mr. WALTON: Very often we find that these men do not get in touch with us. They apply and then in a few days if men are wanted they are not immediately available.

Mr. PICARD: In that particular case the man had just been discharged and was still under the care of the Veterans Affairs Department. He left his name and address with them. He lived near Levis where he was applying for the job. He could have taken the C.N.R. train and it would have taken him only twenty minutes to get there, and yet he was by-passed.

Mr. WALTON: If that is the way it was I think it was mishandled, but ordinarily we try to give preference to the men in the order of their applications.

Mr. BELZILE: Do they not have to file their names with Selective Service in their community first of all?

Mr. WALTON: Yes, but that does not present any difficulty. They are either available or they are not.

Mr. BELZILE: Suppose a man did not file his name with Selective Service. What would happen?

Mr. WALTON: When I speak of him being available that includes complying with the requirements.

Mr. PICARD: Before he applies to the company he has to get a permit from Selective Service to look for employment.

Mr. WALTON: I am assuming from what you say that that had been done.

Mr. PICARD: Yes. When the man went to them he told them he was a veteran with three years overseas service. They said, "We do not need you now." Three weeks later they took on three more men when this other man was only twenty minutes away. I asked them about it and I was told, "We have no waiting list."

Mr. WALTON: We do try to give preference to cases such as you have mentioned. Maybe we missed it in this case.

Mr. PICARD: My only point is I would like to make sure there are lists established. I do not mean for those who are not veterans but those who are should be handled in the order of application.

Mr. REID: I come back to a question on page 17. I come back again to the dining and buffet service. I note that their operating expenses are well over

\$5,000,000, and if you take the revenue it means that the dining and buffet service lost last year \$854,768. That is quite a loss; if it is correct that would work out at about 20 cents a meal.

Mr. WALTON: That is probably the experience of most roads on the continent.

Mr. VAUGHAN: I do not think there is a railroad on the continent that does not lose money in its dining car service. It is a fact that the more meals we serve the greater our losses are.

Mr. REID: That is remarkable.

Mr. VAUGHAN: That is the situation on the dining cars.

Mr. MAYBANK: You do not charge everything either, do you? Are they not favoured in the accounting?

Mr. REID: What did the government pay for the meals of soldiers who were travelling? Did they pay the regular rates?

Mr. WALTON: It approximates the regular rate.

Mr. VAUGHAN: It is a little lower, not very much.

Mr. REID: Probably 75 cents or \$1.

Mr. NICHOLSON: The American lines are streamlining the service. They are not using table-cloths and are serving meals on the plate. Does that cut down the cost?

Mr. WALTON: It is bound to.

Mr. VAUGHAN: Wherever service is curtailed and labour is saved expense is reduced.

Mr. NICHOLSON: Have you followed that practice on any of the Canadian National diners?

Mr. WALTON: We have on a few runs. We have not been able to get linen and supplies of that kind in full quantity. We have tried to keep up the service wherever we can.

Mr. REID: How does it compare with the regular dining room service? I mean as against cost and popularity?

Mr. WALTON: How does what compare?

Mr. REID: This new eating system such as the United States has in some trains.

Mr. WALTON: I do not think it is quite as popular but it was partly a forced condition during the war. When we started with it on two or three of these runs there was difficulty in getting linen for serviettes and table-cloths, and so on. That is why that was resorted to but it is not as good a service.

Mr. NICHOLSON: It does not cut down costs to an appreciable percentage?

Mr. WALTON: It cuts down laundry costs, and so on, but the primary reason for it was the shortage of materials.

Mr. MUTCH: Is it not a fact that these cars of the type you mentioned did permit you to feed more people in a given time?

Mr. WALTON: Well, I am not sure whether you and Mr. Nicholson are talking about the same type of car. We have some cars on which we used paper serviettes and so on. On a number of troop movements we had especially arranged cars which would serve a large number at a time. I do not know whether that is the type of car about which you are speaking.

Mr. MUTCH: Are you using many of these cars now that feed 40 people at a time?

Mr. WALTON: We are using some of those on these troop movements because they facilitate serving, putting a much larger number of people through at meal time.

Mr. MUTCH: That is the type of car about which I am speaking.

Mr. VAUGHAN: The actual cost of serving the meals is not very much different.

Mr. WALTON: The men get their meals much more quickly, and we can serve more of them, but the quality of the food is the same.

Mr. MAYBANK: Would it be permissible to turn to page 18 and ask a question? I want to ask about the new lines constructed. I see you spent \$1,638,000 on that. Where were they?

Mr. VAUGHAN: The principal item there is for the construction of the new line from Eastern Junction to Bout de L'Ile, on the island of Montreal.

Mr. HARRIS (*Grey-Bruce*): If I could ask you to move on to the next page, I would like to ask what savings have been made in 1944 as compared with 1943 in bond issues.

Mr. COOPER: At page 4 almost at the bottom of the page there you see, interest on funded debt: in 1943 it was \$30,998,000, and in 1944 it was \$28,135,000.

The CHAIRMAN: Any other questions there, gentlemen?

Mr. REID: On page 18, "retirement of Seattle dock property, \$626,871,75", I see that on page 18 there you have that listed as an expenditure.

Mr. VAUGHAN: That is right, we sold the dock for a good deal less than it cost us, Mr. Reid.

Mr. REID: Yes, I was not referring to the cost but what you received, \$626,000.

Mr. COOPER: No, sir; that is not correct.

Mr. REID: That is the answer I got back on page 14, I think.

Mr. COOPER: What happened was that we had an investment of \$737,000, the sale price was \$110,000, involving a write-off of \$626,000.

Mr. PICARD: What have you been able to do about the C.N.R. bonds held in Great Britain?

Mr. COOPER: I think that you will find that on page 20, under the heading of, Dominion of Canada—Loans. We received from the government to repatriate outstanding debenture stock \$107,943,691; and for other railway securities, \$282,633,000; that is approximately \$390,000,000. The par value of the securities which we retired was some \$20,000,000 in excess of that. This \$390 millions is the cost of repatriating the securities, and there was a gain of something like \$20,000,000 on the transaction.

Mr. PICARD: For the company?

Mr. COOPER: Yes.

Mr. PICARD: Is there still a large amount of the bonds held in Britain?

Mr. COOPER: No.

Mr. PICARD: Of bonds?

Mr. COOPER: Not very much.

Mr. PICARD: I mean by private interest or otherwise.

Mr. COOPER: At the end of 1944 there was \$28,000,000 of sterling securities out of a total of \$629,000,000, but I do not think that is all held by U.K. residents. Any securities owned by U.K. residents were vested and repatriated.

Mr. PICARD: You mean the bonds are still held in Britain?

Mr. COOPER: They are almost all sterling securities.

Mr. PICARD: I refer to both sterling and dollars.

Mr. COOPER: Yes, but there are still some sterling securities the holders of which were not U.K. residents. There is about \$28,000,000 of sterling securities outstanding. I do not think they are held by U.K. residents.

Mr. PICARD: Could you give us the amount of C.N.R. bonds, or Grand Trunk bonds held in Britain at the time of the outbreak of the war?

Mr. VAUGHAN: You will see in the report that about 400 million dollars have been vested by the British government and transferred to Canada. That \$28,000,000 worth to which Mr. Cooper refers were held principally at different points in the world and the British government had no jurisdiction to vest them. Anything that was in Great Britain was vested and has been transferred to Canada.

Mr. PICARD: All those that were under British jurisdiction have been repatriated?

Mr. VAUGHAN: Yes.

The CHAIRMAN: Are there any questions about pages 20 or 21—investments in affiliated companies?

PROPERTY INVESTMENT ACCOUNT

EXPENDITURES YEAR 1944

Road:

New Lines Constructed.....	\$ 1,638,133 36	
Line Diversions	20,177 68	
Montreal Terminal Development.....	25,371 85	
Rails and Fastenings.....	519,762 70	
Tie Plates and Rail Anchors.....	921,767 88	
Ballast	203,505 63	
Ditching, Drainage and Sewers.....	56,088 11	
Large Freight Terminals.....	161,863 50	
Large Passenger Terminals.....	65,517 75	
Yard Tracks and Sidings.....	318,752 11	
Roadway Machines	376,437 09	
Bridges, Trestles and Culverts.....	329,606 60	
Stations and Station Facilities.....	505,939 14	
Shops, Enginehouses and Machinery.....	319,553 59	
Water Supplies	132,771 49	
Fuel Stations	49,474 40	
Docks and Wharves.....	169,298 74	
Grain Elevators	417,667 38	
Signals and Interlockers.....	129,883 03	
Telegraphs—Railway	111,081 10	
Telegraphs—Commercial	568,515 69	
Assessments for Public Improvements.....	35,673 03	
Land	513,610 95	
General Additions and Betterments.....	299,384 56	
		\$ 5,688,683 22

Equipment:

Equipment Purchased or Built.....	\$32,359,097 88	
Equipment Retirements	1,131,649 53	
General Betterments to Equipment.....	81,921 68	
Equipment Conversions	142,640 60	
Express and Miscellaneous Equipment.....	99,505 06	
		31,102,391 13

Hotels

Separately Operated Properties..... 14,746 72

713,249 75

Net Additions and Betterments during 1944.....

\$36,063,077 88

Ledger Balance 1st January, 1944.....		\$1,991,618,275 87
Net Additions and Betterments during the year.....	\$36,063,077 88	
Retirement of Seattle Dock Property.....	626,871 75	
		35,436,206 13

Ledger Balance at 31st December, 1944..... \$2,027,054,482 00

FUNDED DEBT—PRINCIPAL AND INTEREST

NAME OF SECURITY	Issuing Company	Date of Issue	Date of Maturity	Principal Outstanding at Dec. 31, 1944	Interest Accrued 1944
GUARANTEED BY DOMINION OF CANADA:					
5% Perpetual Debenture Stock.....	G.T.R.....	1875 to 1883	Perpetual.....	\$ 1,502,719.60	\$ 74,645.75
5% G.W. Perp. Debtr. Stock and Bonds	G.T.R.....	1858 to 1876	Perpetual.....	967,053.33	49,535.13
4% Perpetual Debenture Stock.....	G.T.R.....	1883 to 1918	Perpetual.....	6,183,620.73	256,905.31
4% Nor. Rly. Perpetual Debtr. Stock..	G.T.R.....	July 31, 1884	Perpetual.....	27,457.73	1,525.02
3% 1st Mortgage Bonds.....	G.T.P.....	July 1, 1905	Jan. 1, 1962	26,465,130.00	793,953.90
4% Sterling Bonds.....	G.T.P.....	July 1, 1914	Jan. 1, 1962	7,999,074.00	319,962.96
3% 1st Mortgage Debenture Stock.....	Can. Nor...	July 29, 1903	July 10, 1953	1,169,460.00	35,219.09
3½% 1st Mortgage Debenture Stock....	Can. Nor...	Mar. 1910	July 20, 1958	5,641,326.15	197,215.70
6½% Sinking Fund Debenture Bonds...	Can. Nor...	July 1, 1921	July 1, 1946	23,754,000.00	1,544,010.00
3½% 1st Mortgage Debenture Stock....	C.N.A.....	Mar. 22, 1911	May 4, 1960	551,505.27	19,302.68
3½% 1st Mortgage Debenture Stock....	C.N.O.....	Dec. 8, 1911	May 19, 1961	3,735,478.14	139,562.84
5% 30 Year Guarantee Bonds.....	Can. Nat...	Feb. 1, 1924	Feb. 1, 1954	50,000,000.00	2,500,000.00
4½% 30 Year Guaranteed Gold Bonds...	Can. Nat...	July 1, 1927	July 1, 1957	64,136,000.00	2,886,120.00
5% 40 Year Guaranteed Gold Bonds...	Can. Nat...	Oct. 1, 1929	Oct. 1, 1969	57,728,500.00	2,886,425.00
5% 40 Year Guaranteed Gold Bonds...	Can. Nat...	Feb. 1, 1930	Feb. 1, 1970	17,338,000.00	866,900.00
4½% 25 Year Guaranteed Gold Bonds...	Can. Nat...	June 15, 1930	June 15, 1955	48,496,000.00	2,303,811.92
4½% 25 Year Guaranteed Gold Bonds...	Can. Nat...	Feb. 1, 1931	Feb. 1, 1956	67,368,000.00	3,031,560.00
4½% 20 Year Guaranteed Gold Bonds...	Can. Nat...	Sept. 1, 1931	Sept. 1, 1951	48,022,000.00	2,160,990.00
3% 16 Year Guaranteed Bonds.....	Can. Nat...	Dec. 15, 1934	Dec. 15, 1950	20,500,000.00	615,000.00
3% 17 Year Guaranteed Bonds.....	Can. Nat...	Feb. 15, 1936	Feb. 15, 1953	25,000,000.00	750,000.00
3% 15 Year Guaranteed Bonds.....	Can. Nat...	Feb. 1, 1937	Feb. 1, 1952	20,000,000.00	600,000.00
3% 13 Year Guaranteed Bonds.....	Can. Nat...	Dec. 15, 1937	Dec. 15, 1950	30,000,000.00	900,000.00
2½% 7 Year Guaranteed Bonds.....	Can. Nat...	Jan. 15, 1939	Jan. 15, 1946	15,000,000.00	337,500.00
3% 20 Year Guaranteed Bonds.....	Can. Nat...	Jan. 15, 1939	Jan. 15, 1959	35,000,000.00	1,050,000.00
Total Issues Guaranteed by Dominion of Canada.....				\$ 576,585,326.95	\$ 24,320,145.30
GUARANTEED BY PROVINCE OF NEW BRUNSWICK:					
4% 1st Mortgage Debenture Stock.....	St. J. & Q..	May 14, 1912	June 1, 1962	\$ 622,657.40	\$ 25,899.33
GUARANTEED BY PROVINCE OF BRITISH COLUMBIA:					
4% 1st Mortgage Debenture Stock.....	C.N.P.....	Nov. 16, 1911	Apr. 2, 1950	916,914.07	63,193.08
4½% Terminal Debenture Stock.....	C.N.P.....	1913 and 1914	Apr. 2, 1950	1,162,583.40	52,406.36
Total Issues Guaranteed by Provincial Governments.....				\$ 2,702,154.87	\$ 114,498.77
EQUIPMENT TRUST ISSUES:					
4½% Series "L".....	Can. Nat...	June 1, 1930	Ser. 1, 6, '45	\$ 1,050,000.00	\$ 66,937.50
2½% " " "O".....	Can. Nat...	Aug. 1, 1937	Ser. 1, 8, '47	4,290,000.00	128,104.17
2½% " " "P".....	Can. Nat...	Sept. 15, 1938	Ser. 15, 9, '53	4,600,000.00	136,239.58
2½% " " "Q".....	Can. Nat...	July 1, 1939	Ser. 1, 7, '49	3,250,000.00	89,375.00
2½% " " "G.T.W.".....	G.T.W.....	June 1, 1941	Ser. 1, 6, '51	3,697,000.00	101,925.00
Total Equipment Trust Issues.....				\$ 16,887,000.00	\$ 522,581.25
OTHER ISSUES:					
4% Canada Atlantic 1st Mtge. Bonds...	G.T.R.....	Jan. 1, 1905	Jan. 1, 1955	9,953,280.00	398,394.18
4% 1st Mortgage Bonds.....	Pem. Sou...	Sept. 1, 1906	Sept. 1, 1956	150,000.00	6,000.00
4% 2nd Mtge. Bonds, Prairie "A".....	G.T.P.....	Apr. 1, 1905	Apr. 1, 1955	3,575,016.00	143,362.17
4% 2nd Mtge. Bonds, Mountain "B"....	G.T.P.....	Apr. 1, 1905	Apr. 1, 1955	3,155,598.00	126,610.53
4% 1st Mtge. Bonds, "Lake Superior"...	G.T.P.....	Apr. 1, 1905	Apr. 1, 1955	2,152,494.00	86,205.20
4% Perpetual Cons. Debenture Stock...	Can. Nor...	1903 to 1912	Perpetual.....	4,134,082.47	164,119.32
4% Perpetual Cons. Debenture Stock...	C.N.O.....	June 21, 1909	Perpetual.....	896,912.06	36,111.73
4% Perpetual Cons. Debenture Stock...	C.N.Q.....	Oct. 1906	Perpetual.....	466,518.66	18,478.47
4% 1st Mtge. Perp. Debenture Stock...	Q. & L. St. J.	June 1, 1912	Perpetual.....	314,299.07	12,536.13
4% 1st Mortgage Bonds.....	G.T.W.....	Nov. 30, 1900	July 1, 1950	6,527,336.00	261,851.84
4½% 1st Mortgage Series "A" Bonds...	G.T.W.....	Jan. 1, 1930	Jan. 1, 1980	400,000.00	18,000.00
4% Indebtedness of S.S. & C. Co.....	C.V.R.....	Aug. 27, 1858	Optional.....	155,865.25	6,234.61
4% 1st Mortgage Gold Bonds.....	M. & P. L.	Oct. 1, 1900	Oct. 1, 1950	200,000.00	8,000.00
5% Indebtedness to Province of N.B...	Can. Nat...	Sept. 3, 1929	Various.....	1,198,022.60	59,901.13
Interest on Securities retired in 1944....					1,832,907.73
Total Other Issues.....				\$ 33,279,424.11	\$ 3,178,713.04
Total Debt held by Public (including therein \$7,773,302.79 par value held in Special Funds and Accounts) as per Balance Sheet.....				\$ 629,453,905.93	\$ 28,135,938.36

These obligations are stated in Canadian currency, Sterling and United States currencies being converted at the par of exchange.

This schedule does not include securities in the Railway treasury or those held by The Canadian National Railways Securities Trust, or by the Dominion Government as collateral.

STANDING COMMITTEE

DOMINION OF CANADA—LOANS

(Treated as Assets in Public Accounts of Canada)

	Principal Outstanding at Dec. 31, 1944	Interest Accrued 1944
3½% Advances, Refunding Act, 1938.....	\$ 37,951,676 26	\$ 1,878,130 93
2% Advances, Refunding Act, 1938.....	24,689,392 53	493,787 86
2½% Advances, Refunding Act, 1938.....	52,200,636 92	978,390 70
2½% Advances, Refunding Act, 1944 (U.S. Funds)..	56,684,000 00	718,256 16
3½% Advances for Repatriation of G.T.R. Debenture Stock	107,943,691 28	3,765,291 34
3½% Advances for Repatriation of other Railway Securities	282,633,133 31	9,871,233 15
3% Purchase of Railway Equipment, 1936 (Re- payable 1938-1950)	3,103,038 52	97,616 43
3½% Purchase of Railway Equipment, 1940 (Re- payable 1941-1955)	10,911,651 50	392,180 80
3½% Purchase of Railway Equipment, 1941 (Re- payable 1943-1957)	17,974,245 82	676,695 31
2½% Purchase of Railway Equipment, 1943 (Re- payable 1945-1959)	23,425,000 17	469,069 92
Purchase of Railway Equipment, 1944 (Re- payable 1945-1959)	13,680,405 62	95,468 44
3½% Temporary Loan for Working Capital.....	13,906,999 71	486,744 98
Interest on Loans repaid in 1944.....	.....	10,835 55
	<u>\$645,103,871 64</u>	<u>\$19,933,701 57</u>

INVESTMENTS IN AFFILIATED COMPANIES

STOCKS:

Company	Total Par Value Outstanding	Owned by Can. Nat. System	
		Par Value	Book Value
The Belt Railway Company of Chicago..	\$ 3,120,000 00	\$ 240,000 00	\$ 240,000 00
Canadian Government Merchant Marine, Limited	800 00	800 00	800 00
Central Vermont Transportation Com- pany	200,000 00	50,000 00	20,000 00
Chicago & Western Indiana Railroad Company	5,000,000 00	1,000,000 00	1,000,000 00
The Detroit & Toledo Shore Line Rail- road Company	3,000,000 00	1,500,000 00	1,500,000 00
Detroit Terminal Railroad Company....	2,000,000 00	1,000,000 00	1,000,000 00
Northern Alberta Railways Company... (representing amount paid up, i.e. 10%)	625,000 00	312,500 00	312,500 00
The Ontario Car Ferry Company (Limited)	500,000 00	250,000 00	179,007 53
The Public Markets, Limited.....	1,150,000 00	575,000 00	575,000 00
Railway Express Agency, Incorporated (no par value).....	1,000 shares	6 shares	600 00
The Toronto Terminals Railways Com- pany	500,000 00	250,000 00	250,000 00
The Toledo Terminal Railroad Company	4,000,000 00	387,200 00	387,200 00
Trans-Canada Air Lines.....	4,600,000 00	4,600,000 00	4,600,000 00
(representing amount paid up, i.e. 92%)			
Vancouver Hotel Company Limited....	150,000 00	75,000 00	75,000 00
			<u>\$ 10,140,107 53</u>

BONDS:

Northern Alberta Railways Co. 1st Mort- gage Bonds	\$ 30,730,000 00	\$ 15,365,000 00	\$ 15,365,000 00
The Toronto Terminals Railways Co. 1st Mortgage Bonds.....	25,610,000 00	12,805,000 00	12,805,000 00
			<u>\$ 28,170,000 00</u>

ADVANCES:

Chicago & Western Indiana Railroad Company.....	\$ 2,165,525 59
The Railroad Credit Corporation.....	84,175 98
Railway Express Agency, Incorporated.....	135,855 62
Vancouver Hotel Company Limited.....	14,360 13
	<u>\$ 2,399,917 32</u>
	<u>\$ 40,710,024 85</u>

MAJOR CONTINGENT LIABILITIES

TRANS-CANADA AIR LINES:

The Canadian National Railway Company owns \$5,000,000 of the Capital Stock of the Air Lines on which total call to 31st December, 1944, has been \$4,600,000.

NORTHERN ALBERTA RAILWAYS COMPANY:

The Canadian National Railway Company owns \$3,125,000 of the Capital Stock of the Railways Company on which total call to date has been 10%.

THE DETROIT & TOLEDO SHORE LINE RAILROAD COMPANY:

Assumed by Grand Trunk Western Railroad Company as joint and several guarantor by indorsement of principal and interest of \$3,000,900 First Mortgage 4%—50 Year Gold Bonds due 1953.

THE TOLEDO TERMINAL RAILROAD COMPANY:

Assumed by Grand Trunk Western Railroad Company in respect of \$5,800,000 First Mortgage 4½%—50 Year Gold Bonds due 1957. The guarantee is as to interest only and is several and not joint. Grand Trunk Western's proportion is 9.68%.

CHICAGO & WESTERN INDIANA RAILROAD COMPANY:

Assumed by Grand Trunk Western Railroad Company, pursuant to joint supplemental lease dated 1st July, 1902, between Grand Trunk Western Railway Company and four other proprietary companies. Obligation is for repayment of principal of bonds at their maturity, and of interest as it falls due by way of annual rentals. The Grand Trunk Western's obligation is for one-fifth of the bonds issued for "common" property and the entire amount of bonds issued for its "exclusive" property. The bonds are Consolidated Mortgage 50 Year 4% bonds due 1952 and the amounts outstanding at 31st December, 1944, are:—

Issued for "common" property.....	\$39,973,019 39
Issued for "exclusive" property.....	252,535 36

Assumed by Grand Trunk Western Railroad Company pursuant to joint supplemental lease dated 1st March, 1936, between Grand Trunk Western Railroad Company and other proprietary companies. Obligation is to pay as rental sinking fund payments sufficient to retire bonds at maturity and interest as it falls due. The Grand Trunk Western's proportion is one-fifth in the absence of default of any four other tenant companies. The bonds are First and Refunding Mortgage 4½% Series "D" Sinking Fund Bonds due 1962 and the amount outstanding at 31st December, 1944, is \$18,740,000.00

C.N.R. PENSION PLAN:

Reserves have been set up against contracts in force under the 1935 contractual plan, but not against pensions conditionally accruing under that plan or prior non-contractual plans.

Mr. NICHOLSON: On page 19; is there anything on these perpetual 5 per cent bonds, are they being retired or repatriated?

Mr. MAYBANK: What page are you on now?

Mr. NICHOLSON: At the top of page 19, 5 per cent perpetual debenture stock, G.T.R., 1875-1883. Is anything being done about reducing the interest rate on those?

Mr. COOPER: No, sir. That is the remainder of an issue which was vested. The amount which is now outstanding is the amount held by other than U.K. interests, and short of repudiation we cannot say anything about it.

The CHAIRMAN: Is that O.K., Mr. Nicholson?

Mr. NICHOLSON: Yes.

The CHAIRMAN: Can we go to page 21 again?

Mr. REID: What about public markets limited?

Mr. VAUGHAN: Public markets?

Mr. REID: Yes.

Mr. VAUGHAN: That is the Winnipeg stock yards.

Mr. MAYBANK: That is a fifty-fifty business?

Mr. VAUGHAN: Yes, owned jointly with the Canadian Pacific Railway.

Mr. REID: What about that \$75,000 investment in the Vancouver Hotel Company?

Mr. VAUGHAN: That was really for working capital I think in the Vancouver Hotel Company.

Mr. COOPER: Yes.

Mr. VAUGHAN: Each company put up so much as working capital for the operating company.

The CHAIRMAN: Are there any other questions on 21? If not, we will go to page 22, Companies Comprising the Canadian National Railway System. Are there any questions on that?

COMPANIES COMPRISING THE CANADIAN NATIONAL RAILWAY SYSTEM

CAPITAL STOCKS OWNED BY DOMINION OF CANADA

Company Number		
1	Canadian National Railway Company.....	\$ 18,000,000 00
2	The Canadian National Railways Securities Trust.....	359,080,515 31
		<hr/> \$377,080,515 31

CAPITAL STOCKS OWNED BY SYSTEM OR PUBLIC

Company Number	Name of Issuing Company	Owned by Company Number	Capital Stock Issued	Owned by Public
3	Atlantic and St. Lawrence Railroad Company	1	\$ 6,302,340 00	\$ 146,240 00
4	The Bay of Quinte Railway Company....	24	1,395,000 00	
5	The Bessemer and Barry's Bay Railway Company	24	125,000 00	
6	*Brooksday Realty Company	30	2,000 00	
7	*Canada Atlantic Transit Company.....	1	219,000 00	
8	*Canada Atlantic Transit Company of U.S.	38	250,000 00	
9	The Canadian Express Company.....	1	1,768,800 00	
10	Canadian National Electric Railways....	24	1,750,000 00	
11	Canadian National Express Company....	25	1,000,000 00	
12	Canadian National Land Settlement Association	1		
13	*Canadian National Railways (France)...	1	2,007,400 00	
14	*Canadian National Realities, Limited....	24	40,000 00	
15	Canadian National Rolling Stock Limited	1	50,000 00	
16	*Canadian National Steamship Company, Limited	47	15,000 00	
17	Canadian National Telegraph Company..	24	500,000 00	
18	*Canadian National Transportation, Limited	1	500 00	
19	The Canadian Northern Alberta Railway Company	24	3,000,000 00	
20	Canadian Northern Manitoba Railway Company	24	250,000 00	
21	The Canadian Northern Ontario Railway Company	24	10,000,000 00	
22	Canadian Northern Pacific Railway Company	24	25,000,000 00	
23	The Canadian Northern Quebec Railway Company	24	9,550,000 00	3,849,200 00
24	The Canadian Northern Railway Company	1	18,000,000 00	
25	The Canadian Northern Railway Express Company, Limited	24	1,000,000 00	
26	Canadian Northern Steamships, Limited..	24	2,000,000 00	
27	Canadian Northern System Terminals (Limited)	24	2,000,000 00	
28	Canadian Northern Western Railway Company	24	2,000,000 00	
29	Cannar Oils Limited	1	100 00	
30	*The Centmore Corporation	32	176,400 00	
31	The Central Ontario Railway	24	3,331,000 00	
32	Central Vermont Railway, Inc.....	1	10,000,000 00	
33	Central Vermont Terminal, Inc.	32	5,000 00	
34	*Central Vermont Transit Corporation....	30	5,000 00	
35	*Central Vermont Warehouse, Inc.....	30	5,000 00	
36	The Champlain and St. Lawrence Railroad Company	1	50,000 00	
37	*Consolidated Land Corporation	50	64,000 00	
38	Continental Realty & Holding Company	14	90,000 00	
39	*The Dalhousie Navigation Company, Limited	24	50,000 00	
40	*Duluth and Virginia Realty Company...	38	45,000 00	
41	Duluth, Rainy Lake & Winnipeg Railway Company	43	2,000,000 00	

COMPANIES COMPRISING THE CANADIAN NATIONAL RAILWAY SYSTEM

CAPITAL STOCKS OWNED BY SYSTEM OR PUBLIC—(Con.)

Company Number	Name of Issuing Company	Owned by Company Number	Capital Stock Issued	Owned by Public
42	Duluth, Winnipeg and Pacific Railroad Company	43	100,000 00	
43	Duluth, Winnipeg and Pacific Railway Company	24	3,100,000 00	
44	*Grand Trunk-Milwaukee Car Ferry Company	50	200,000 00	
45	The Grand Trunk Pacific Branch Lines Company	47	200,000 00	
46	*The Grand Trunk Pacific Development Company, Limited	47	3,000,000 00	
47	The Grand Trunk Pacific Railway Company	1	24,940,200 00	
48	The Grand Trunk Pacific Saskatchewan Railway Company	47	20,000 00	
49	*Grand Trunk Pacific Terminal Elevator Company (Limited)	47	501,000 00	
50	Grand Trunk Western Railroad Company (Common)	1	20,000,000 00	
50	Grand Trunk Western Railroad Company (Preferred)	1	25,000,000 00	
51	The Great North Western Telegraph Company of Canada (including \$331,500 held in escrow)	17	373,625 00	6,925 00
52	The Halifax and South Western Railway Company	24	1,000,000 00	
53	*Industrial Land Company	50	1,000 00	
54	International Bridge Company	1	1,500,000 00	
55	The James Bay and Eastern Railway Company	24	125,000 00	
Carried Forward			\$184,107,365 00	\$ 4,002,365 00

Mr. MUTCH: Is there any change in it?

The CHAIRMAN: Pages 22 and 23 are just the same.

COMPANIES COMPRISING THE CANADIAN NATIONAL RAILWAY SYSTEM—(Con.)

CAPITAL STOCKS OWNED BY SYSTEM OR PUBLIC—(Con.)

Company Number	Name of Issuing Company	Owned by Company Number	Capital Stock Issued	Owned by Public
	Brought Forward		\$184,107,365 00	\$ 4,002,365 00
56	The Lake Superior Terminals Company Limited	24	500,000 00	4,002,365 00
57	The Maganetawan River Railway Company	1	30,000 00	
58	Manitoba Northern Railway Company	1	500,000 00	
59	The Marmora Railway and Mining Company	24	128,600 00	
60	The Minnesota and Manitoba Railroad Company	24	400,000 00	
61	The Minnesota and Ontario Bridge Company	24	100,000 00	
62	Montreal and Province Line Railway Company	30	1,000,000 00	
63	*Montreal and Southern Counties Railway Company	1	500,000 00	165,600 00
64	The Montreal and Vermont Junction Railway Company	32	197,300 00	
65	*Montreal Fruit & Produce Terminal Company, Limited	1	500 00	
66	*The Montreal Stock Yards Company	1	350,000 00	
67	*The Montreal Warehousing Company	1	236,000 00	12,240 00
68	Mount Royal Tunnel and Terminal Company, Limited	24	5,000,000 00	
69	Muskegon Railway and Navigation Company	50	161,293 00	
70	*National Terminals of Canada, Limited	1	2,500 00	
71	National Transcontinental Railway Branch Lines Company	1	500 00	

COMPANIES COMPRISING THE CANADIAN NATIONAL RAILWAY SYSTEM—(Con.)
CAPITAL STOCKS OWNED BY SYSTEM OR PUBLIC—(Con.)

Company Number	Name of Issuing Company	Owned by Company Number	Capital Stock Issued	Owned by Public
72	*The Niagara, St. Catharines and Toronto Railway Company.....	24	925,000 00	
73	*The Niagara, St. Catharines and Toronto Navigation Company (Limited).....	72	100,000 00	
74	*The Oshawa Railway Company.....	1	40,000 00	
75	The Ottawa Terminals Railway Company	1	250,000 00	
76	The Pembroke Southern Railway Company	1	107,800 00	
77	*Prince George, Limited.....	1	10,000 00	
78	*Prince Rupert, Limited.....	1	10,000 00	
79	The Quebec and Lake St. John Railway Company	24	4,508,300 00	489,160 00
80	The Qu'Appelle, Long Lake and Saskatchewan Railroad and Steamboat Company	24	201,000 00	
81	*Rail & River Coal Company.....	1	2,000,000 00	
82	St. Boniface Western Land Company....	24	250,000 00	
83	The St. Charles and Huron River Railway Company.....	24	1,000 00	
84	St. Clair Tunnel Company.....	1	700,000 00	
85	The Stanstead, Shefford and Chambly Railroad Company.....	30	608,333 33	
86	*The Thousand Islands Railway Company	1	60,000 00	
87	†Trans-Canada Air Lines.....	1	4,600,000 00	
88	The United States and Canada Rail Road Company.....	1	219,400 00	475 00
89	Vermont and Province Line Railroad Company	1	200,000 00	
90	The Winnipeg Land Company Limited..	24	100,000 00	
			\$208,104,891 33	\$ 4,669,840 00

* The Income Accounts of Companies indicated (*) are included in the System Income Account as "Separately Operated Properties".
†Treated as an Affiliated Company.

The CHAIRMAN: Page 24, Railway Equipment;

RAILWAY EQUIPMENT

	December 31, 1943	Additions During Year	Retirements During Year	Conversions During Year Added	Retired	December 31, 1944
LOCOMOTIVES:						
Passenger—Freight	2,075	27	11		92	1,999
Switching	434		1	92		525
Electric	24					24
Oil Electric	27	10				37
Total	2,560	37	12	92	92	2,585
FREIGHT EQUIPMENT:						
Box Cars	64,514	4,962	137	4	177	69,166
Flat Cars	5,247	200	26		6	5,415
Stock Cars	3,067		13			3,054
Coal Cars	14,739	1,050	75			15,714
Tank Cars	147					147
Refrigerator Cars	3,173	54	15			3,212
Caboose Cars	1,682		12			1,670
Other Cars in Freight Service	10					10
Total	92,579	6,266	278	4	183	98,388

	December 31, 1943	Additions During Year	Retirements During Year	Conversions During Year Added Retired	December 31, 1944
PASSENGER EQUIPMENT:					
Coach Cars	1,210		7	1	1,202
Combination Cars	273		1		272
Dining Cars	93	1		2	96
Colonist Cars	191			1	190
Parlor Cars	58			11	47
Cafe Cars	28				28
Sleeping Cars	302				302
Tourist Cars	47			1	46
Baggage and Express Cars.	1,058		7	3	1,051
Postal Cars	49			3	49
Unit Cars	44			1	43
Other Cars in Passenger Service	56			11	67
Total	3,409	1	15	16	3,393
WORK EQUIPMENT:					
Business Cars	61				61
Other Cars in Work Ser- vice	7,272	41	141	181	7,353
Total	7,333	41	141	181	7,414
FLOATING EQUIPMENT:					
Car Ferries	9				9
Barges	5				5
Tugs	4				4
Work	4		1		3

Statistics of Rail-Line Operations, page 25.

STATISTICS OF RAIL-LINE OPERATIONS

	1944	1943
TRAIN MILES:		
Freight Service	45,206,361	44,871,187
Passenger Service	24,216,998	23,819,952
Total	69,423,359	68,691,139
Work Service	1,552,221	1,865,186
Total	70,975,580	70,556,325
LOCOMOTIVE MILES:		
Freight Service	48,153,317	48,389,729
Passenger Service	24,034,555	23,734,555
Train Switching—Freight	3,636,807	3,622,691
—Passenger	101,881	109,124
Yard Switching—Freight	15,196,852	15,708,505
—Passenger	1,432,847	1,401,288
Total	92,556,259	92,965,892
Work Service	2,123,840	2,231,166
Total	94,680,099	95,287,058
CAR MILES—FREIGHT SERVICE:		
Loaded Freight Cars	1,202,177,715	1,191,596,101
Empty Freight cars	555,756,559	515,077,717
Passenger Coach and Combination Cars	7,703,467	4,873,984
Sleeping, Parlor and Observation Cars	525,769	648,991
Dining Cars	44,575	67,471
Other Cars	7,604,153	8,384,319
Caboose	44,138,113	43,896,849
Total	1,817,950,351	1,767,545,432

STANDING COMMITTEE

CAR MILES—PASSENGER SERVICE:

Loaded Freight Cars	216,373	380,209
Empty Freight Cars	112,685	186,130
Passenger Coach and Combination Cars	89,431,191	87,575,672
Sleeping Parlor and Observation Cars.....	58,703,137	55,837,555
Dining Cars	11,200,033	10,536,990
Other Cars	65,925,827	61,866,682
Motor Unit Cars	1,042,610	1,035,229
Caboose	1,350,367	1,477,859
Total	227,982,223	218,896,326
Car-Miles—Total	2,045,932,574	1,986,441,758
Work Service	3,045,122	3,279,290
Total	2,048,977,696	1,989,721,048
AVERAGE MILEAGE OF ROAD OPERATED	23,496.03	23,494.31

FREIGHT TRAFFIC:

Tons carried—Revenue freight	80,851,179	80,426,781
Tons carried one mile—Revenue freight	36,015,898.732	36,326,990.666
Freight revenue	\$321,588,728	\$324,899.724
Revenue per ton	\$3.97754	\$4.03970
Revenue per ton mile	\$0.00893	\$0.00894
Miles per revenue ton	445.46	451.68
Ton-miles—Revenue freight per mile of road	1,526,753	1,540,070
Ton-miles—All freight per mile of road	1,641,004	1,651,318
Gross ton-miles of cars, contents and cabooses	79,728,903.320	78,902,107.402
Net ton-miles of freight (Revenue and non-revenue)	38,557,084,137	38,796,570,833
Train-hours in freight road service	2,894,098	3,005,447

PASSENGER TRAFFIC:

Passengers carried	35,928,212	34,500,731
Passengers carried one mile	3,696,546.316	3,618,808.393
Passenger revenue	\$69,776,256	\$66,891.034
Revenue per passenger	\$1.94210	\$1.93883
Miles per revenue passenger	102.89	104.89
Revenue per passenger mile	\$0.01888	\$0.01848
Passenger-miles per mile of road	157,326	154,029

NET RAILWAY OPERATING INCOME:

Gross operating per mile of road	\$18,775 41	\$18,754 16
Gross Railway operating charges per mile of road	\$15,893 02	\$15,279 53
Net railway operating income per mile of road	\$2,882 39	\$3,474 63

OPERATED MILEAGE, 31st DECEMBER, 1944

OPERATED ROAD MILEAGE

Territory	Ow ned	Leased	Trackage	Total
Atlantic Region	2,986.76	6.41	82.95	3,076.12
Central Region	7,123.96	353.13	27.85	7,504.94
Western Region	11,091.16	378.22	64.07	11,533.45
Grand Trunk Western Lines.....	956.26	9.50	59.75	1,025.51
Central Vermont Lines.....	237.90	125.18	58.73	421.81
Total First Main Track.....	22,396.04	872.44	293.35	23,561.83
Lines in Canada.....	20,986.43	565.43	170.48	21,722.36
Lines in United States.....	1,409.59	307.01	122.87	1,839.47

OPERATED MILEAGE ALL TRACKS

First Main Track.....	22,396.04	872.44	293.35	23,561.83
Second Main Track.....	1,218.55	13.70	85.42	1,317.67
Third Main Track.....	26.66	—	3.49	30.15
Fourth and Other Main Tracks....	10.81	—	5.09	15.90
Spurs, Sidings and Yard Tracks....	5,774.45	308.11	1,112.75	7,195.31
Total All Tracks.....	29,426.51	1,194.25	1,500.10	32,120.86

EMPLOYEES AND THEIR COMPENSATION

	*Average Number of Employees	*Total Payroll	%Inc. over Employees	Previous Year Payroll
1939.....	78,129	\$122,354,101		
1940.....	82,831	132,584,063	6.02	8.36
1941.....	89,536	153,654,368	8.09	15.89
1942.....	94,592	177,042,773	5.65	15.22
1943.....	101,126	195,555,045	6.91	10.46
1944.....	102,764	222,649,839	1.62	13.86

*Includes railway, express and telegraph employees. Excludes hotel and subsidiary company employees.

DISBURSEMENT OF TOTAL OPERATING REVENUES AND EXPENSES

	Operating revenues were disbursed		Operating revenues were disbursed	
	1944 - %	1943 - %	1944 - %	1943 - %
Labour	46.78	41.16	56.93	55.89
Fuel	9.82	9.02	11.95	12.25
Other Expenses	25.58	23.46	31.12	31.86
Total Operating Expenses..	82.18	73.64	100.	100.
Available for Taxes and Other Accounts	17.82	26.36		
Total	100.	100.	100.	100.
Maintenance of Way Accounts..	17.34	15.28	21.10	20.74
Maintenance of Equipment Accs	18.19	16.42	22.13	22.30
Traffic Accounts	1.37	1.28	1.67	1.74
Transportation Accounts.....	40.32	36.19	49.07	49.15
Miscellaneous Accounts.....	1.34	1.22	1.63	1.66
General Accounts	3.62	3.25	4.40	4.41
Total Operating Expenses..	82.18	73.64	100.	100.

Mr. HARRIS (*Grey-Bruce*): About page 24, in Mr. Vaughan's report he spoke about furnishing some locomotives for the Northern Alberta Railway.

Mr. VAUGHAN: No, that is what we call the northern type of locomotive; as applied to a particular wheel arrangement of the locomotive.

Mr. HARRIS (*Grey-Bruce*): I did not understand it that way. I understood that you were breaking down the purchases of locomotives and the uses to which they had been put and that you said some had been purchased for the Northern Alberta Railway.

Mr. VAUGHAN: No, sir; we did not purchase any for them.

Mr. REID: You have actually fewer locomotives than in 1943?

Mr. VAUGHAN: Yes.

Mr. REID: I notice that your freight locomotives in 1943 totalled 2,075 and in 1944 the figure is 1,999.

Mr. WALTON: But you will notice that the total is a little greater, it was 2,560 in 1943 and for 1944 it is 2,585.

Mr. MUTCH: Did you send any locomotives to Australia in 1944?

Mr. WALTON: No.

Mr. VAUGHAN: We have locomotives becoming obsolete and worn out from time to time which are retired.

The CHAIRMAN: Any more questions as to that page?

Mr. NICHOLSON: In connection with the item of postal cars, have you any information as to the number the Canadian Pacific Railway have, and what volume of trans-continental mail you are handling; do you know how this number of postal cars compares with the Canadian Pacific?

Mr. VAUGHAN: I could not say offhand.

The CHAIRMAN: Then, on page 26, Operated Mileage, Employees, and Disbursement of Total Operating Revenues and Expenses;

Mr. NICHOLSON: In connection with regions, have you any information as to which regions are most profitable to your company?

Mr. VAUGHAN: Our central region is the largest earner both in gross and net. In recent years the western region has come second.

Mr. NICHOLSON: Have you a breakdown showing that?

The CHAIRMAN: We have these figures. I think you can furnish them, Mr. Cooper.

Mr. COOPER: Yes, we have them.

Mr. PICARD: When we have the figures like that, can we have a breakdown showing, for instance, Montreal to Halifax, Montreal to Toronto?

Mr. VAUGHAN: We would not have this broken down to that extent. We have the earnings and expense breakdown by regions, but not by districts or divisions.

Mr. PICARD: Not according to the lines as they were formerly, before they were incorporated into the C.N.R.?

Mr. VAUGHAN: No, sir; we do not keep that now.

Mr. NICHOLSON: Could we have a breakdown according to regions, for the record?

Mr. COOPER: I think it would be more convenient if we could put that in to-morrow.

The CHAIRMAN: Is that satisfactory, gentlemen?

Some Hon. MEMBERS: Yes.

The CHAIRMAN: Then all we have left is page 26, Operated Mileage, Employees and their Compensation, Disbursement of Total Operating Revenues and Expenses—are there any questions there, gentlemen?

Mr. MAYBANK: You hardly need to read any of it, it is a purely narrative section there at the end.

The CHAIRMAN: I do not think so. I think page 26 really ends the balance sheet, and if there are no further questions we are ready for a motion to adopt the report.

Mr. MAYBANK: I move the adoption of the report.

Mr. REID: I have just one little item, it is really a very minor detail. I notice here that you show on your map practically all the terminals of the road, but you do not put in a little place like Port Mann; I was wondering why you did not put in our terminal at New Westminster.

The CHAIRMAN: You should make some personal representations there, Mr. Reid.

Mr. MUTCH: And, this is a three color map, pretty expensive to make.

Mr. VAUGHAN: We will put Port Mann on the next one.

The CHAIRMAN: The adoption of the report has been moved by Mr. Maybank; is there a seconder?

Mr. BEAUDOIN: I will be pleased to second the motion.

The CHAIRMAN: Seconded by Mr. Beaudoin; what is your pleasure, gentlemen?

Some Hon. MEMBERS: Carried.

(Carried)

The CHAIRMAN: Now, gentlemen, it is 10 o'clock. Can we adjourn until 4 o'clock to-morrow afternoon? I know the boys on one side of the House have a caucus in the morning. I wonder if that would be agreeable.

Mr. REID: It is private members' day.

The CHAIRMAN: Will that be O.K., 4 o'clock? If that is O.K. I would just like to mention here before we go that the railway budget is to be brought in to-morrow. There is also the Canadian National-West Indies Steamship report, the Securities Trust report; and then the report of your auditors, and the estimates of the minister. And then, if we can take care of these reports, arrangements will have to be made with the T.C.A. people, if it is agreeable to the committee, to come next week some time. We should be able to go through the railway budget and these others, I think, fairly rapidly and leave the T.C.A. for another week. Does that sound reasonable and satisfactory to the committee?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: If we can sit to-morrow afternoon at 4 o'clock, and then on Thursday, I think these reports can be cleaned up, that would leave only the T.C.A. for next week. Is that agreeable, gentlemen?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: Then we will meet at 4 o'clock to-morrow afternoon, gentlemen.

The committee adjourned at 10:10 o'clock p.m. to meet again to-morrow, October 24th, at 4 o'clock p.m.

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Canada. Railways and Shipping,
"Standing Committee" 1945

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SESSION 1945
HOUSE OF COMMONS

(STANDING COMMITTEE)

ON

(RAILWAYS AND SHIPPING)

Owned, Operated and Controlled by the Government

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

WEDNESDAY, OCTOBER 24, 1945

WITNESSES:

Mr. R. C. Vaughan, Chairman of Board of Directors and President,
Canadian National Railways.

Mr. N. B. Walton, C.B.E., Executive Vice-President, Operation and
Construction Department, Canadian National Railways.

Mr. T. H. Cooper, Comptroller, Canadian National Railways and T.C.A.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1945



MINUTES OF PROCEEDINGS

Room 429,

WEDNESDAY, 24 October, 1945.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government met this day at 4 o'clock p.m. Mr. Murray Clark, Chairman, presided.

Members present: Messrs. Chevrier, Clark, Coyle, Beaudoin, Belzile, Bourget, Harris (*Grey-Bruce*), Hazen, Jackman, Maybank, Moore, Mutch, Nicholson, Picard, Reid, Shaw.

In attendance: Mr. R. C. Vaughan, Chairman and President; Mr. N. B. Walton, C.B.E., Executive Vice-President; Mr. T. H. Cooper, Comptroller; Mr. W. S. Thompson, Director of Public Relations of the Canadian National Railways. Mr. C. P. Edwards, O.B.E., Deputy Minister of Transport and Mr. F. M. MacLennan, Secretary, The Canadian National Railways Securities Trust.

The Committee considered the Canadian National Railways Budget for the year 1945 and on motion of Mr. Beaudoin the said Budget was adopted unanimously.

The Committee then considered the Annual Report of Canadian National (West Indies) Steamships, Limited, for the Calendar year 1944; also the Budget of this Company for 1945. On motion of Mr. Picard both the Annual Report for 1944 and the Budget for 1945 were adopted unanimously.

Messrs. Vaughan, Walton and Cooper were questioned.

At 6.20 o'clock p.m., the Committee adjourned to meet again at 11 o'clock p.m. Thursday, 25th October, 1945.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

October 24, 1945.

The Standing Committee on Railways and Shipping met this day at 4 o'clock p.m. The Chairman, Mr. S. M. Clark, presided.

The CHAIRMAN: Gentlemen, there is just one thing I would like to mention before we start. It is a little difficult sometimes when a couple are talking for the reporters to get all of what is said, and I hope we can be just a little careful about that to-day. They talked to me last night about it, so if we could be just a little careful about that it will give them a little better chance.

Now, the report was adopted last night, and the next suggested order of procedure is the Canadian National Railway budget which has been distributed to each one of the members of the committee here. I believe that is the procedure generally adopted after a report, and if there are any explanations or questions in connection with it, perhaps that is the next order of business, if that meets with the approval of the committee.

Mr. JACKMAN: Mr. Chairman, considerable progress was made yesterday evening. Unfortunately I had to be in the House; as you know, the T.C.A. bill was up in the House. I cannot help but register a certain amount of complaint that it was necessary to hold a sitting of this committee contemporaneously with that of a relative committee in the House of Commons itself. It is impossible to be in two places at one time, as you well know. There are a number of questions which I had in mind to ask about the report before it was adopted. It is immaterial to me whether I ask them now or whether I leave them until we come to the adoption of the report of the auditors, when they can again be raised.

Hon. Mr. CHEVRIER: Might I suggest that it be done then. I think if we get on with the budget now you can ask your questions when Mr. Matthews is on the stand, unless you have some serious objections.

Mr. JACKMAN: Some of these they will not be able to answer.

The CHAIRMAN: I think all the officials will be here.

Mr. JACKMAN: It is immaterial to me as long as eventually I get the answers.

Hon. Mr. CHEVRIER: I think you will get your answers.

The CHAIRMAN: If that is O.K., these officials will all be here, and if there are any questions which the officers are unable to answer the other officials of the road will be at your disposal. Is that satisfactory?

Mr. JACKMAN: Yes; except that I am here now, and I may not be here another time.

The CHAIRMAN: Perhaps we can arrange it so that you can be here.

Mr. JACKMAN: All right.

The CHAIRMAN: Gentlemen, you all have a copy of the Canadian National budget for 1945, the present year, which is now pretty well completed. Have you any questions on it?

Mr. JACKMAN: Let's go over it item by item. We have not had a chance to see what it looks like.

The CHAIRMAN: Would that be O.K.?

Mr. HAZEN: Have you any more copies of it?

The CHAIRMAN: Yes, there are plenty. Would it be helpful to have Mr. Vaughan or Mr. Cooper or some of these men explain this; just take the budget and explain it page by page? Would that be helpful?

Mr. JACKMAN: Let them take it item by item.

The CHAIRMAN: If that is the pleasure of the committee.

Mr. VAUGHAN: You might go ahead, Mr. Cooper.

Mr. COOPER: You wanted a summary of the operating and capital budget; the operating budget for 1945 shows that we expect to have cash surplus of \$25,000,000.

Mr. JACKMAN: Might I just ask a question, not relative to the budget but in connection with your cash surplus which you turn over to the government; that I believe is synonymous with real profit after your bond interest; this cash surplus is synonymous to the real profit of the railway after bond interest?

Mr. VAUGHAN: Yes, it is.

Mr. JACKMAN: Does the government give you a reduction or cancellation in your debt to the government as a result of the payment of the surpluses?

Mr. COOPER: Yes.

Mr. JACKMAN: In the way of cancellation of bonds or outstanding debts?

Mr. COOPER: In the way of cancellation of debt.

Mr. VAUGHAN: Yes.

Mr. JACKMAN: What item would that be on the balance sheet? What is the amount of the item which is reduced year by year when you do turn in the cash surplus? Is it in the liabilities?

Mr. COOPER: On the liability side of the balance sheet you will see, under Dominion of Canada, loans amounting to \$645,103,871.64.

Mr. JACKMAN: \$645,000,000, is that the item?

Mr. COOPER: That is the item. It would be reduced by the payment by the railway to the government of the cash surplus we earn.

Mr. JACKMAN: All right. Thank you very much.

Mr. COOPER: On the second page—

Mr. REID: Might I ask, Mr. Chairman, are we to go through it page by page? Are we to wait until a page is completed before we ask a question?

Mr. COOPER: I was not skipping it; I was merely going on to say that on the second page are the details making up the \$25,000,000. If we are to consider this \$25,000,000 of operating surplus it seems to me that we should turn to page 2 for the time being, and then come back to page 1. The total railway operating revenues budgeted for 1945 are \$433,000,000, as compared to \$441,000,000 in 1944. The operating expenses are expected to be \$354,800,000; leaving net operating revenues of \$78,200,000; other income charges—net, \$6,909,000; leaving a net available for interest of \$71,291,000. The interest charges: interest due the public on long term debt, \$26,035,000, interest payable to the government \$20,256,000—leaving a cash surplus of \$25,000,000.

And now, coming back to page 1 and going on with the capital section of the budget, the total capital budget is shown as \$33,406,000, that is comprised of the four or five items shown—additions and betterments are estimated to amount to \$15,008,000 (and the details of that item appear on page 3 of this pamphlet); the next item, acquisition of securities, amount to \$1,015,000 (details of that item also appear on page 3); retirement of maturing capital obligations, etc., amount to \$10,777,000 (details of that item are given on

page 4). Against these expenditures we estimate we shall have available from reserves for depreciation, \$18,000,000, leaving for our general capital budget a net requirement of \$8,800,000.

In addition to the general budget, under our equipment program we have budgeted expenditures amounting to \$24,606,000, making a total capital budget of \$33,406,000. In addition to the operating and capital budget we then show possible requirement of Trans-Canada air lines, \$400,000; which is all that remained on the authority granted by the Trans-Canada Act of 1937.

Mr. JACKMAN: Where would you get the \$35,000,000 Mr. Howe spoke about in the House?

Mr. COOPER: Well, of course, this is our 1945 budget, and we were not concerned with legislation which has been introduced subsequently to the preparations of the budget.

Mr. HAZEN: Where do you show the shares of Trans-Canada that you hold?

Mr. COOPER: On the asset side of the balance sheet in the item, investments in affiliated companies, \$40,710,024.85. The details of that item are given on page 21 of the printed report, and you will see our investment in Trans-Canada Air Lines as being \$4,600,000.

Mr. HAZEN: Thank you very much.

Mr. REID: May I ask Mr. Vaughan some questions? I notice the budget in 1944 is estimated at \$421,700,000, and the actual revenue was \$441,147,000.

Mr. VAUGHAN: Yes, sir.

Mr. REID: And for 1945 you are estimating a revenue of \$433,000,000. Do you expect you will be able to realize that amount, or do you anticipate that there will be a reduction in the actual net revenue position, as compared to what you received in 1944?

Mr. VAUGHAN: There is a falling off in traffic, but I think we will closely approach the figures given here, which will represent a reduction of approximately \$8,000,000 in the gross earnings below 1944.

Mr. REID: Would you mind explaining the note there at the bottom of page 2; "The 1945 Budget includes \$1,937,500 for Contribution to Deficit of I.C.R. & P.E.I. Provident Fund."?

Mr. COOPER: The Intercolonial and Prince Edward Island Provident Fund is a superannuation fund which applies to employees of the Canadian government railways. It was closed to new members in 1929, and from that date any employees of the Canadian National Railways, whether they were on the Canadian government railways or not, were admitted to membership in the Canadian National pension plan. The Intercolonial and P.E.I. fund is bankrupt, very much so; and the railway is required each year to contribute sufficient to meet payment of pensions under that plan. We made payments in 1944 amounting to \$1,850,860 and the estimated amount for 1945 is \$1,937,500. Since the fund became insolvent in 1924, the Canadian National Railways have had to provide \$20,625,000, to permit payments under that plan to be made to the Canadian government employees.

Mr. REID: Would that not be irrespective of any payments made by the men themselves to the fund?

Mr. COOPER: The total pension payroll would be in excess of this. This would be the amount necessary to implement the amount contributed by the members themselves. This is the cost to the railway in 1945, of keeping these pensions going.

Mr. HAZEN: You say this scheme closed in 1929?

Mr. COOPER: To new employees. After that date new employees coming to work on C.N. lines became members of the Canadian National pension fund instead of the I.C.R. & P.E.I. Provident Fund.

Mr. HAZEN: And, can you tell us whether this cost is increasing or decreasing?

Mr. COOPER: It is increasing and will continue to increase for some years.

Mr. JACKMAN: It just struck me, inasmuch as you have been holding on to some of your old employees to help out in the emergency, that in the next year or toward the end of this year, you may release a good many men who are becoming 65 years of age, or who have reached that age within the last three or four years. Might you not find your pension system being faced with quite a bill in setting up funds for these people; suppose you have 5,000 men—that may be a very large item?

Mr. COOPER: That figure is excessive, Mr. Jackman. As I remember it the number of employees who were retained in the service after the age of 65 was around 630. At the present time the number of employees in that category is 462. We expect that they will substantially all go on pension before the end of this year. It will undoubtedly have quite an impact on the pension fund. However, we have foreseen that to some extent; in 1943 I took up \$750,000 and in 1944 I took up another \$500,000, and in 1945 we have been putting something away to equalize somewhat the cost in 1945 with what it would be under normal retirement conditions. In other words, we expect to take care of these retirements in 1945 out of our 1945 operating expenses.

Mr. JACKMAN: It will not seriously overload the 1945 or 1946 operating expenses? If you had \$5,000 to put up for each pensioner with about 630 eligible it would run about \$3,000,000. That is quite a sum.

Mr. COOPER: As I said, in 1943 the charge for pension contracts issued in that year was in the neighbourhood of \$2,000,000. I have the figure here if you need it. In addition we set aside \$750,000.

Mr. JACKMAN: You have made provision for it?

Mr. COOPER: Yes.

Mr. VAUGHAN: We foresaw this and Mr. Cooper and I went into it some time ago and arranged to set aside funds to provide for this very thing you are speaking of.

Mr. JACKMAN: May I just suggest, Mr. Chairman, inasmuch as apparently it is the recommendation of this committee that parliament acts on when it grants the capital expense budget we should, I think, in fairness to ourselves as well as in justice to the responsibility which is put upon us look into the various classifications where the money is going to be spent. Otherwise we are in a very sorry position if the House asks us, "why did you pass this budget, what is it for", and we do not know anything about it except a round sum. I wonder if we could have a word of explanation about the various items.

Mr. HARRIS (Grey-Bruce): You mean the items on page 3.

Hon. Mr. CHEVRIER: There is no objection to that.

Mr. VAUGHAN: There is a very large budget prepared, Mr. Jackman, which details each individual item. That is a sample of it.

Mr. REID: We want to get out of here before Christmas.

Mr. JACKMAN: I do not want the whole budget.

Mr. VAUGHAN: If you would like to see this, go over it, and ask any questions you are entirely welcome to do so, but each individual item is detailed here. Where the money is to go is set out very carefully and clearly.

Mr. JACKMAN: Here is total additions and betterments less retirements, \$15,008,000. We have got a general breakdown which I think is quite sufficient

for our purpose but we have a responsibility to the House and I think we should ask a general question as to the explanation why you want \$1,331,350 for the Atlantic region as against \$678,478 spent last year. I think we should have a bit of information on these matters because if we do not know about it it is a little bit difficult to assume any responsibility whatsoever.

Mr. BEAUDOIN: May I ask if this particular document could be distributed if copies could be made available?

Mr. JACKMAN: We do not want that.

Mr. VAUGHAN: One reason we do not have them distributed is because there is a lot of detailed information in the budget which we do not think it desirable to make public. There is probably no objection to the members of this committee having it, but I am afraid if we made that document a public document we would be getting requests from everybody all over the country saying, "You are doing this here. Why are you not doing this there?" It might be very embarrassing.

Mr. MUTCH: I am quite sure that it is not the intention of the committee to ask for any thing as exhaustive as that. We can ask about any specific item if there is any doubt, and that should be sufficient.

Mr. NICHOLSON: How about the Montreal terminal construction? Are we near the end of that?

Mr. VAUGHAN: Yes. Mr. Cooper can give you the figures here.

Mr. COOPER: Montreal terminal construction happens to be a specific item detailed on page 3. We show it there as \$100,000.

Mr. NICHOLSON: Will this appear again next year?

Mr. COOPER: I think it should disappear. I think Montreal terminal construction is ended and that any ordinary improvements which are made to that station should go into the ordinary budget in the future.

Mr. JACKMAN: There was some reference to the new line or revamping of the old line to make traffic possible in Montreal, was there not?

Mr. VAUGHAN: That is the Bout de L'Isle line. That line is finished and now in operation.

Mr. JACKMAN: There is no more expense involved there?

Mr. VAUGHAN: No.

Mr. JACKMAN: The general question is why is there \$15,008,000 in the budget this year as against \$6,383,398 last year? I presume you need all these things but would you say a word about the individual items? Would you like to have spent more on certain things?

Mr. VAUGHAN: You will notice that we did not spend anything like our budget in 1944. If you compare the \$15,000,000 in 1945 with the budget of \$17,000,000 in 1944 we really have a smaller budget. I think the same condition will obtain this year, that we probably will not be able to spend all the money we have in our budget on account of the labour and material situation, but our budget is really much less than it was in 1944. We would have spent more in 1944 had labour and material been available but they were not available. So we spent but a small proportion of our budget.

Mr. JACKMAN: Take the \$6,009,624 budgeted for the central region. What are some of the major items in that?

Mr. VAUGHAN: Mr. Cooper will have it here. He will give it to you.

Mr. COOPER: If I call the headings out, Mr. Jackman, would that be sufficient?

Mr. JACKMAN: I want to know generally what it is about.

Mr. COOPER: There is the Bout de L'Isle line, \$130,000. I am speaking of the 1945 budget now. Line diversions, \$49,312; new rails and fastenings \$105,548; relaying with part worn rail or second hand rail, \$88,668.

Mr. JACKMAN: The road bed is getting rather badly in need of repair in certain sections?

Mr. COOPER: Repairs do not come in the capital budget.

Mr. JACKMAN: I should not use the term "repairs" but "replacements". Put it that way.

Mr. COOPER: If we were replacing steel rail of the same weight there would be no charge to investment account.

Mr. BEAUDOIN: It would come under maintenance.

Mr. VAUGHAN: Operating charge, yes. If we take out a 100-pound rail and put in a 130-pound rail the difference in cost would be a capital charge but where we replace in kind there is no capital charge.

Mr. JACKMAN: Which brings me to the point that it would be too bad if the committee went home without that memorandum on the depreciation because I think it would be interesting to us. You might give it to us when it is convenient so that we will have the background.

Mr. MAYBANK: I understand it was to be distributed at some stage.

Mr. JACKMAN: It was suggested by Mr. Vaughan in his opening remarks. I think Mr. Vaughan and Mr. Cooper will know what I am after. You are asking the people of Canada for \$6,000,000 to be spent in the central region. I do not want to know what \$25,000 is going for particularly but I do want to know what the major items are.

Mr. VAUGHAN: I think Mr. Cooper might continue.

Mr. JACKMAN: And what is the need or interpretation of them?

Mr. COOPER: I do not think the amounts matter very much unless you want them. As to tie plates we propose to apply 2,808,335 new tie plates, washed screened gravel ballast, widening cuts and fills, ditching, tile and other tracks, yard tracks and public business sidings, passing tracks, private and wooden box and other drainage, roadways and paving, right of way fences, other tracks, yard tracks and public business sidings, passing tracks, private and public business sidings, roadway machines and roadway small tools, new steel bridges or replacement with concrete or steel bridges, culverts, new timber bridges and trestles or replacement of existing timber bridges and trestles in kind.

Mr. JACKMAN: It is mostly a compilation of small items spread throughout the whole system rather than any major item costing \$1,000,000 or \$2,000,000?

Mr. COOPER: Yes. If I were to give you one of these headings with the detail it might be indicative of the budget as a whole.

Mr. JACKMAN: If it is not too detailed.

Mr. COOPER: Here is one, replacing timber bridges and trestles with culverts and fill. Alderdale subdivision, one bridge at mileage 108.63. Sudbury terminals, one trestle approach at mileage 6, Copper Cliff section. Sudbury subdivision, one bridge at mileage 90.76, construct rock tunnel and fill. On the Rouyn subdivision four bridges at mileages 19.3, 19.9, 20.9 and 28.4. Oba subdivision, two bridges at 62.8 and 142.4. Beachburg subdivision, one bridge at mileage 134.9. The total amount of those works is estimated at \$48,460. That is the way the budget is made up.

Mr. HAZEN: Mr. Cooper, you estimate that additions and betterments, Atlantic region, will be \$1,331,350 in your budget for 1945. Will you give us the breakdown of those figures?

Mr. COOPER: I want to be frank about this thing. This budget was prepared at the beginning of the year and it has been revised during the year. We did not feel we should go to the trouble of reprinting it. As against the original budget for the Atlantic region of \$1,331,350 we made reduction of \$172,000. The reductions are not impressed on the original budget, and if you do not mind me giving the original budget it would be a convenience. I could go over it secondly and give you all the items that have been cut out. Atlantic region, new rails and fastenings, \$686,037. Relaying with part worn or second-hand rail, main and branch lines, \$151,999. Relaying with part worn or second-hand rail, passing and yard tracks, \$48,932. Tie plates, \$143,236. Rail anchors, \$89,020. Rock and washed screened gravel ballast, \$1,429,390.

Mr. HAZEN: Did you say \$1,429,390?

Mr. COOPER: Yes, \$1,429,390.

Mr. HAZEN: I thought the total amount was \$1,331,000.

Mr. COOPER: I am sorry. I am giving you the total expenditures. Some portion of that is charged to operating. I had better go back and give you the capital portion. I will begin again.

Mr. HAZEN: We want to get it straight.

Mr. COOPER: New rails and fastenings, \$41,917. That is the capital portion only. Relaying with part worn or second hand rail on main and branch lines, \$35,884; relaying with part worn or second hand rail (passing and yard tracks and business sidings), \$13,931; tie plates, \$28,020; rail anchors, \$77,920; rock and washed screened gravel ballast, \$253,530; slag ballast, \$20,400; widening cuts and fills, \$25,000; rip-rap, \$50,000; tile and wooden box and other drainage, \$25,500; right-of-way fence and cattle guards, including planting of trees and hedges in lieu of right-of-way fencing, \$10,565; other tracks, yard tracks and public business sidings, \$36,640; passing tracks, \$6,420; private and business sidings, \$35,000; roadway machines and roadway small tools, \$83,390; roadway miscellaneous, \$3,300; new steel bridges or replacement with concrete or steel bridges, \$47,105; replacement of steel bridges with timber bridges or trestles, \$54; culverts—new or the replacement thereof, \$3,500; new timber bridges and trestles or the replacement of existing timber bridges and trestles in kind, \$37,190; replacing timber bridges and trestles with culverts and fill, \$14,069; miscellaneous improvements to bridges, such as metalikoting, waterproofing, replacement of masonry by concrete, guard rails and sidewalks, etc., on bridges, \$67,181; protection of grade and highway crossings, \$10,000; other stations and shelters—new and replacements, \$2,430; other stations and shelters—betterments to \$6,000; freight sheds—betterments to, \$2,900; section dwellings and bunkhouses—new and replacements, \$21,584; platforms, \$2,673; miscellaneous buildings, new and replacements, \$35,400; express facilities on railway property, \$10,981; water supplies, \$18,023; fuel stations—including betterments thereto, \$6,600; turntables, \$23,040; ashpits, \$4,150; other enginehouses and machine shops—new and replacements, \$12,500; other enginehouses and machine shops—betterments to, \$9,750.

Mr. NICHOLSON: If I might interrupt just here, it seems to me that it will take quite a long time to get up to \$1,900,000.

Mr. COOPER: There are another couple of pages.

The CHAIRMAN: That is just a general description. Is that satisfactory?

Mr. HAZEN: No, it is not altogether satisfactory, I should like to have the particulars. I do not care if Mr. Cooper reads them or not. If he could put them down on the record, that would be satisfactory.

Mr. MAYBANK: That might be a suggestion, Mr. Chairman; put it on the record subsequently, as an appendix.

Mr. JACKMAN: He has got half of it on now. Why not let him carry on?

Mr. MAYBANK: Would it not be undesirable to put down in too great detail the exact information on expenditures, for the reasons Mr. Vaughan mentioned a little while ago? Might it not be a case, as Mr. Hazen has a great special interest, a memorandum could be sent to him? He could then use his discretion as to giving the advice out further. It is understandable that he would have a special interest in this area, and yet I do not think you would want all those dollars and cents details on the record for both competitors and others.

Mr. VAUGHAN: We could give Mr. Hazen just the figures that Mr. Cooper has given.

Mr. MAYBANK: I think that would be better.

Mr. HAZEN: I do not want to do anything that would embarrass the railway.

Mr. VAUGHAN: Those items are divided. There is a certain proportion chargeable to capital, but I suppose the larger proportion is chargeable to maintenance.

Mr. COOPER: I was corrected. The first figures I gave were total expenditures, but I went back and reversed myself and gave only the capital expenditures.

Mr. WALTON: But on nearly all of those items there is some proportion of maintenance expense; in many of them it is the larger portion.

Mr. BOURGET: One of the main items was ballast in every region.

Mr. HAZEN: It will be perfectly satisfactory if Mr. Cooper will give me those figures of the capital expenditures for the Atlantic region. I was going to ask this question. Are those divided up in any way? Do those expenditures show how much, if anything, is going to be spent in Prince Edward Island, for instance?

Mr. VAUGHAN: There would be an item there.

Mr. JACKMAN: \$10,000.

Mr. VAUGHAN: They can be picked out.

Mr. HAZEN: Well, I do not want them lumped together.

Mr. VAUGHAN: There are several items for P.E.I. They can be picked out.

Mr. HAZEN: What I had in mind was this. If you had them available, I was going to ask for the items for Prince Edward Island, Nova Scotia and New Brunswick, if it would not be too difficult.

Mr. REID: While you are at Prince Edward Island, I wonder if you would mention about that \$713,000?

Mr. HAZEN: Let us get this straightened out first. Would that be convenient to you to do that?

Mr. COOPER: If I might make a suggestion, I should like to show you this book and let you tell me exactly what you want.

Mr. HAZEN: I have said what I wanted.

Mr. MAYBANK: You are chatting together.

Mr. HAZEN: I have said what I wanted.

Mr. COOPER: We can mark what would be Prince Edward Island items.

Mr. HAZEN: Can you mark which will be Nova Scotia and New Brunswick as well?

Mr. WALTON: I think pretty generally. There are some items which are more or less general, such as ballast items and that sort of thing. I think, with reasonable accuracy, they can be assigned to the territories in which the work would be done.

Mr. VAUGHAN: I think we can give you what you want, Mr. Hazen.

Mr. HAZEN: There is one other question. Is any of this money that is being spent, going to be spent for double tracking?

Mr. VAUGHAN: No, sir.

The CHAIRMAN: Is that cleared up?

Mr. HAZEN: Yes, sir.

Mr. MAYBANK: You are not waiting, of course, for any vote of approval for those expenditures. You must by now, the year being largely gone, have done a great deal of this, as I say.

Mr. VAUGHAN: Yes. We had to go ahead with it.

Mr. MAYBANK: Yes.

Mr. VAUGHAN: We had no meeting in the spring to approve our budget. We could not tie up the railroad. We had to go ahead.

Mr. MAYBANK: You went right ahead with these capital expenditures.

Mr. VAUGHAN: Yes.

Mr. JACKMAN: Taking the money out of your own pocket in the meantime, Mr. Vaughan? Where did you get the money?

Mr. VAUGHAN: You will see that our total expenditures were very much below the budget, as I have said.

Mr. JACKMAN: Where did you get the money?

Mr. COOPER: As far as the general budget is concerned, we have provided all the capital expenditures out of our depreciation reserves for 1945.

Mr. JACKMAN: That just raises a rather peculiar or perhaps awkward legal question. You must get authority, I suppose, by an order in council or something. Do you do that, or do you just have to carry on without it and take a chance of getting your acts validated at a subsequent date? What is the legal position?

Mr. VAUGHAN: Well, the position was this. The matter was talked over with the minister; and it was decided that, inasmuch as our budget had not been approved, we would have to go ahead, and tentative authority was received to proceed with our work pending the deliberations of this committee.

Mr. JACKMAN: If this committee took a contrary view, it would not be very effective for 1944. However, you had to do the work, I presume, and trust that it would be approved.

Mr. VAUGHAN: Yes.

Mr. MAYBANK: Otherwise they would have to go ahead and unbuild the bridges.

Mr. JACKMAN: That would not help the problem. May I say this, though. Colonel McLure, one of the members from Prince Edward Island, has raised the question of lack of a second ferry. Does that come under the C.N.R. or is that the government?

Hon. Mr. CHEVRIER: That is a matter of the estimates. That will be one of the three estimates that will be dealt with after these reports are approved.

Mr. JACKMAN: Are the estimates dealt with in this committee?

Hon. Mr. CHEVRIER: Yes. That is vote 421, Prince Edward Island car ferry deficit.

Mr. JACKMAN: That is dealt with in this committee?

Hon. Mr. CHEVRIER: Yes. That is right.

Mr. JACKMAN: Also Colonel McLure in the House at one time mentioned the very heavy cost of trucking farm produce from the Island to the mainland, I think with particular reference to the charge on the ferry across. It was a

very heavy charge for some 50 miles between two points, much heavier than the ordinary trucking charges on the ordinary mainland. Are the rates on the ferry high, and does the C. N. R. set them?

Mr. VAUGHAN: We do not think the rates are unusually high. Of course, everything that goes over on the ferry is in direct competition with the railway. We think we are generous in allowing the trucks to go on the ferry at all.

Mr. HAZEN: What do you charge to take a truck across?

Mr. VAUGHAN: I have not the rates here. Has anybody got them?

Mr. WALTON: I do not think we have.

Mr. VAUGHAN: We can obtain them for you very easily, but we have not got them here at the moment.

Mr. HAZEN: What about this expenditure of \$10,000? What is that for? I am speaking about the amount you budget for P.E.I. car ferry and terminals. What is that money expended for?

Mr. COOPER: It is just a general contingency fund of \$10,000 to take care of items which are not foreseen when the detailed budget is made up.

Mr. HAZEN: Last year you spent \$48,700. No, that is not quite accurate. You budgeted for \$48,700 and actually spent \$54,639.

Mr. COOPER: Yes. Do you want the details of that, Mr. Hazen?

Mr. HAZEN: No, thank you. If I do, I will ask for them.

Mr. COOPER: We will have to get that.

Mr. JACKMAN: Of course, while trucking from the island to the mainland is in competition with the railway, nevertheless it is a public carrier. One has to recognize that trucking is an alternative form of transportation?

Mr. VAUGHAN: I agree with that.

Mr. JACKMAN: What is the basis of the complaint of these truckers from the island to the mainland? Is the trucking rate the trouble?

Mr. VAUGHAN: I think the only complaint I know of is the rate that is charged for trucks on the ferry. We have had complaints from time to time in respect of that; but we have not had any recent complaints that I know of, although no doubt other officers of the railway company receive such complaints. I think what we had better do is to get the rates. I do not know what they are.

Hon. Mr. CHEVRIER: I have them here, Mr. McLennan has just obtained them. They are as follows: trucks, one way on the ferry, \$6; return \$12.

Mr. HARRIS (Grey-Bruce) What distance is the ferry?

Mr. JACKMAN: Eight miles.

Hon. Mr. CHEVRIER: Nine, I think.

Mr. REID: Is that for loaded trucks?

Mr. VAUGHAN: Loaded trucks, yes; loaded or unloaded.

Hon. Mr. CHEVRIER: Passenger cars, \$2 one way; \$3 return.

Mr. MUTCH: Does that include any kind of trucks—1 ton, 2 ton, and so on?

Mr. VAUGHAN: There is a limitation, I think; up to 5 tons, I think, the rate is the same.

Mr. JACKMAN: Could you give us any idea of the comparison between transporting 5 tons in a truck as against transporting 5 tons of farm produce in bulk on the ferry?

Mr. WALTON: We do not handle bulk on the ferry.

Mr. JACKMAN: There is some bulk classification.

Mr. VAUGHAN: We do not handle any bulk on the ferry. Everything we handle on the ferry is in cars. We do not handle any bulk at all.

Mr. JACKMAN: Well, you know what I am after. How much does it cost to transport 5 tons of potatoes on a car as against 5 tons on a truck?

Mr. VAUGHAN: There are many things that enter into that. I think it would depend upon the destination of the potatoes and the haul the railway was going to get on them, and over what distance the expense would be spread.

Mr. JACKMAN: Take a fifty-mile truck-haul.

Mr. VAUGHAN: You are aware, of course, of the controversy that goes on all the time between the cost of moving goods in trucks and moving them in railway cars. I think all the bodies that have studied the situation have concluded pretty well that trucks cannot economically operate except for high-class goods in competition with the railways if all the factors, of course, are taken into account, beyond approximately fifty miles. During the war the transport controller placed a restriction of fifty miles on the operation of trucks. That will always be a matter of controversy. The truck people naturally have their own side of the case, and I would not want to start an argument here against the trucks unless they have an opportunity to defend themselves.

Mr. JACKMAN: After all, the people of the Island are entitled to ship according to the method most convenient for them, and if the rate on the ferry is excessive for trucks as against cars it is, in a sense, unfair competition in view of the situation of the Island, the Confederation Pact and all the other peculiarities attached to P.E.I.

Mr. MUTCH: It is a highly controversial opinion.

Mr. JACKMAN: I am asking for his facts, not opinions. What is the rate for a fifty-mile haul from some point on the Island to some point on the mainland, first, via truck, and, secondly, via the railway?

Mr. VAUGHAN: I think it would be almost impossible to give that.

Mr. REID: There were many opinions before the transport board over long years, and it has never been possible to tell in regard to railway traffic how much it costs to haul a ton or a half ton any distance. They were never able to substantiate any charge.

Mr. JACKMAN: I mean the charge.

Mr. VAUGHAN: Perhaps I misunderstood you. As I understand you, you want the rate that the railway would charge on a specific commodity, say from Charlottetown to some point fifty miles distant on the mainland?

Mr. JACKMAN: That is right.

Mr. VAUGHAN: All I could give you in opposition to that would be the rate we charge a truck on the ferry, because we do not operate the trucks.

Mr. JACKMAN: That might be adequate, if you can give me that information.

Mr. VAUGHAN: We will get that.

Hon. Mr. CHEVRIER: You could not go more than nine miles. You do not know what the rates of the trucks are beyond fifty miles.

Mr. JACKMAN: The difficulty, apparently, on the Island is that the rate across the water is so high that it makes trucking extremely expensive to the people of the Island. That is the question Mr. McLure raised. Now, may I ask you this: How do you build up your budget from year to year of capital expenditures? Do you do it from the head office?

Mr. VAUGHAN: Our budget is prepared very carefully. It starts on with the divisions. It is gone over by the divisional superintendents and the divisional engineers and other officers. Then it goes up to the district office, that is the general superintendent and the district engineer. They comb it over and eliminate anything they think can possibly be done without. It then goes to the

regional vice-president and general manager and the chief engineer of the region. And it is gone over by them and certain eliminations are made. Then it comes to Montreal where it will go first to Mr. Walton and then to our department of research. We have a budget department which happens to be under Mr. Fairweather who is vice-president of a number of departments. Every individual item is gone over by him. We bring to Montreal the vice-presidents and the chief engineers and they have to justify to him and to Mr. Walton and to myself that every item in that budget is required in the interests of the railway. So it is not a haphazard thing; it is gone into very carefully.

Mr. JACKMAN: And your board of directors pass on it after that?

Mr. VAUGHAN: It is eventually submitted to the board of directors and approved by them and then it comes on here for final approval.

Mr. JACKMAN: I do not suppose you are able to do as many industrial concerns do where, say, an expenditure of \$100,000 is asked for—you cannot, because of the nature of the railway business, say whether that \$100,000 will return a certain percentage of profit at the end of the year? Your business does not permit you to estimate in that way, does it?

Mr. VAUGHAN: Our officers submitting these budgets are required to say on the individual AFE's the savings which will result from the expenditures.

Mr. JACKMAN: Of course, where you are replacing a wooden bridge with a steel bridge, that is a matter of necessity?

Mr. VAUGHAN: That is a matter of necessity. There are some things in which there is no saving; it is a matter of necessity, as you say; but where there is anything new required it has to be justified on the basis of economics.

Mr. REID: I wonder if I could get an answer to my question with regard to the Prince Edward Island ferry, because I am interested in this item of \$713,000 for the government share of operating account. I would like to know if the ferry is paying and who operates it.

Hon. Mr. CHEVRIER: It is not paying. That is a matter that will come up by separate vote after these reports have been dealt with.

Mr. REID: Here is a vote of \$713,000.

Mr. VAUGHAN: I think, Mr. Chairman, that Mr. Cooper might explain how the accounts of the Prince Edward Island car ferry are handled as between the government and ourselves.

Mr. COOPER: I think there is a mistake about the \$713,000. If I am looking at the same figure that is related to subsidiary companies.

Mr. REID: The amount I have is government share of operating account, P.E.I., car ferry and terminals, \$564,200, page 2 of the budget.

Mr. COOPER: The Prince Edward Island car ferry is operated as a part of the system in the first place, but we are operating it on behalf of the government, and it is understood that the government will meet the difference between the cost of operation and the revenue. That difference is provided by way of a separate vote in the House. We operate the ferry. We take the costs of doing so and credit against those costs the revenue which we apportion to the ferry operations and we render our bill against the Department of Transport for the deficit.

The CHAIRMAN: As I understand it, that is the estimate the minister is going to bring down.

Hon. Mr. CHEVRIER: The 1945 net deficit for the operation is \$713,000, which we pay over to the Canadian National Railways.

Mr. HARRIS (Grey-Bruce): Did I understand you to say that up to this time this year you have drawn on depreciation and reserve in order to pay this capital expenditure account?

Mr. COOPER: Speaking of the items in what we call the general capital budget—that is irrespective of the new equipment vote—all the items of capital expenditure which we show on page 1: additions and betterments; acquisition of securities; retirement of maturing capital obligations—those expenditures to the end of September have been met out of our own resources.

Mr. HARRIS: Will that continue for the remaining three months of this year?

Mr. COOPER: It is possible we shall not finally balance out at the end of the year; but my own view is that we shall not require the full amount of the \$8,800,000. You understand that we have to ask for a vote sufficient to complete a job. Now it may be that by December 31 the job has not been completed and the money has not all been spent. As a rule the amount of the budget is underspent. You notice in 1944, for example, while we asked for \$10,549,000 on the general capital budget account we actually had a credit at the end of the year of \$2,776,000.

Mr. REID: Why would the interest charge be less for 1945? I notice it is \$45,000,000; operating revenues are \$8,000,000 less, and operating expenses are \$12,000,000 less, and then it is made up by a drop in interest charges. For instance, the interest due to the public on long term debt, on page 2, is \$28,000,000 odd, and you estimate \$26,035,000 for this year. The next is interest on dominion government loans, \$20,000,000 odd, and the total interest charges are a little less than \$2,000,000 less than actually paid in 1944.

Mr. COOPER: Yes. The explanation of that, perhaps, can be given best by way of an example. In July of 1944 we called for redemption on issue of \$56,000,000 of 5 per cent bonds. We secured the funds from the government at—I have forgotten the rate—around 3 per cent or $2\frac{1}{2}$ per cent—so you see on the refunding operation we save an interest charge of approximately 2 per cent, or $2\frac{1}{2}$ per cent, depending on the coupon rate and what we can borrow money for from the government.

Mr. JACKMAN: What was done with those British-held Canadian National securities purchased by our government and taken over before we got onto mutual aid? Does the government hold them or have they turned them back to the railway?

Mr. COOPER: The railway gave the government a note for the amount necessary to enable the railway to take up those securities. The securities themselves are held by the Minister of Finance as collateral behind our note.

Mr. VAUGHAN: We pay $3\frac{1}{2}$ per cent interest on them.

Mr. JACKMAN: The government charge you $3\frac{1}{2}$ per cent on the standing interest, that large item on the balance sheet, \$661,000,000?

Mr. COOPER: No, the rates are set out on page 20, but on the repatriation items the interest rate was $3\frac{1}{2}$ per cent on an amount of approximately \$390,000,000.

Mr. JACKMAN: Are there still more Canadian National bonds held overseas in Great Britain?

Mr. VAUGHAN: I think that was referred to yesterday and it was pointed out that there were about \$28,000,000 of those bonds which had not been vested because, apparently, they were held in other countries and it was not within the authority of the British government to vest them. But outside of those they have all been vested.

Mr. JACKMAN: Are some of those bonds, to your knowledge, held in France or Holland or other European countries?

Mr. COOPER: Certainly, and some of them are held in Ireland.

Mr. JACKMAN: Do you know offhand about how many bonds are held over there?

Mr. COOPER: No, I cannot answer that. Possibly our treasury department might be able to get those figures for you approximately, but as far as I am concerned, I cannot answer your question.

Mr. MUTCH: It would be under \$28,000,000 in any event.

Mr. COOPER: The total of sterling securities held by other than U.K. residents amounts to \$28,000,000.

Mr. PICARD: Is there any amount still held in the United Kingdom which has not been repatriated?

Hon. Mr. CHEVRIER: He has just stated that.

Mr. COOPER: No, sir, not Canadian National Railways securities.

Mr. PICARD: That is what I had understood.

Mr. MUTCH: We went into this exhaustively last night. If we keep going over and over it again, we will never get anywhere.

Mr. REID: Are the western additions and betterments a lengthy program?

Mr. VAUGHAN: I do not get that?

Mr. REID: Are the additions to western regions a very lengthy program, I see it amounts to \$2,900,000.

Mr. VAUGHAN: There is quite a substantial list of them. I do not know whether you want to hear them or not.

Mr. REID: Are there any in British Columbia?

Mr. VAUGHAN: Yes, there will be some in British Columbia.

Mr. REID: Do they include a new station for New Westminster?

Hon. Mr. CHEVRIER: Perhaps the 1946 budget will have that.

Mr. VAUGHAN: Are you referring to the Great Northern railway station?

Mr. REID: Yes.

Mr. VAUGHAN: That would not be in our budget.

Mr. NICHOLSON: On page 3 there is an item for the payment in 1944 of \$25,000 for the Admiral Beatty hotel in Saint John; there does not appear to be any corresponding budget in 1945. Could you give us some explanation about that item?

Mr. VAUGHAN: What item is that?

Mr. NICHOLSON: On page 3 the Admiral Beatty hotel in Saint John, New Brunswick.

Mr. VAUGHAN: Yes.

Mr. NICHOLSON: There is an item of \$25,000 for 1944.

Mr. VAUGHAN: There is a reason for that. I think you better speak about that, Mr. Cooper.

Mr. COOPER: During the year the securities of that company matured. There are three issues; first mortgage, second mortgage and third mortgage bonds. We owned one-third of the second mortgage bonds, the Canadian Pacific railway owned a third and the United Hotels owned a third; the United Hotels would not agree to the general scheme of refinancing, so the Canadian Pacific railway and the Canadian National railway took up their one-third interest; that is to say, we took up \$25,000, and the C.P.R. took up the same amount. We considered that the re-financing arrangement was a good one, and actually in 1944 we received back on the principal of those bonds \$15,500—we received a substantial benefit.

Mr. NICHOLSON: What arrangement have you for the management of this hotel?

Mr. VAUGHAN: The Canadian Pacific railway and ourselves have representatives on the board of the hotel, and the management is appointed with their approval.

The CHAIRMAN: Are there any questions on page 3? Then we come to page 4:

Mr. REID: Page 4, what is the item of $5\frac{1}{2}$ per cent Province of New Brunswick debentures? I notice that in 1945 you are providing a payment of \$818,000 for these.

Mr. VAUGHAN: That is one of the debenture payments coming due.

Mr. REID: Why was there no payment on that last year?

Mr. VAUGHAN: Mr. Cooper has that. He will give it to you.

Mr. COOPER: \$818,000—those were debentures issued by the province of New Brunswick to construct the St. John and Quebec railway. The Canadian National Railway company purchased the railway in 1929, and the purchase price was \$6,000,000; as part of the purchase price we assumed the St. John and Quebec debentures, some \$2,700,000 of them; and the balance of the purchase price was by the Canadian National agreeing to retire these New Brunswick debentures as they fell due. In 1945, \$818,000 of New Brunswick debentures fell due for retirement on February 16th. The debentures carried an interest rate of 5.5 per cent, so that it was really to our advantage to get rid of them.

Mr. REID: Another question I would like to ask relates to the indebtedness to the State of Michigan *re* the widening of Woodward Avenue, Detroit; do you pay any extra premium on account of exchange, and if so what extra premium did you pay for the year? Did you pay it in United States funds?

Mr. COOPER: The story regarding that is a long one. A number of years ago the State of Michigan wanted to build a highway which paralleled our railway running out of Detroit in the direction of Pointiac. The proposed highway ran right along side the Grand Trunk Western railway and it was decided in order to have more room, to move our line over and build the highway on the railway right-of-way. An agreement was made that the State would decide in order to have more room, to move our line over and build the highway on it. The entire cost of that was assumed by the State of Michigan with the understanding that we would repay the cost over a period of fifteen years. This is 1/15 of the cost of that expenditure.

Mr. REID: Did you get any credit for the abandoned right-of-way?

Mr. COOPER: I do not believe we did. On the other hand, we have not paid any interest on this outstanding item. The whole thing was very involved. It wrapped itself around the taxation of our railway in that territory. It also involved a threat by the state to expropriate the railway if the railway did not reach a satisfactory agreement. The conditions of that agreement are in the records of this committee. It was gone into very thoroughly at the time and while we were forced into it, from the railway point of view, it was considered to be a satisfactory agreement.

Mr. REID: Were these payments made in United States funds, and if so, why?

Mr. VAUGHAN: We collect enough funds in the United States from the movement of freight and passengers on our United States lines to pay for these expenditures.

Mr. REID: Taking all your commitments in the United States, are your revenues over there sufficient to meet all the expenditures, or do you have to meet payments in United States funds?

Mr. VAUGHAN: We have a number of Canadian National securities, bonds outstanding, which are three-way bonds; some payable in Canada, some payable

in Great Britain and some payable in the United States, at the option of the holder. We have to pay quite a substantial premium on these if the holders elect to be paid in United States funds.

Mr. REID: I wonder if it is possible for us to get an idea of the extra money you pay out on account of the premium on exchange? I am not quite clear on that.

Mr. VAUGHAN: We may be able to give that to you.

Mr. COOPER: During 1944 the net cost of U.S. exchange for the Canadian National Railways was \$2,212,000.

Mr. REID: As one who has long been advocating removal of the 10 per cent, I was rather interested in finding out what it costs you. I know that it is costing the country a great deal of money.

Mr. COOPER: The reason, of course, in our case is that so many of our securities are payable in United States funds. In the railway operations alone, apart from the payment of interest, I do not think we have to pay any substantial amount for United States exchange. We make a profit on sterling.

Mr. VAUGHAN: These securities are coming due from time to time. Some are callable, and as soon as the callable period arrives we take them up and get rid of that liability.

The CHAIRMAN: Are there any other questions?

Mr. JACKMAN: Are you still buying rolling stock from money supplied by the government who are charging 3·5 per cent?

Mr. VAUGHAN: I think the last equipment loan we arranged with the government was 2·5 per cent; if I remember correctly, 2 5/8. Most of them were at 3·5 per cent, but in the last equipment issue we represented to the government that we thought the interest rate was too high as most of the large railways in the United States were getting money for equipment at 1·75 and 1·7/8, and at that time they reduced our rate to 2 5/8 on that particular issue.

Mr. NICHOLSON: What is the lowest rate you pay?

Mr. VAUGHAN: 2 5/8.

Mr. NICHOLSON: I saw one item here of 2 per cent.

Hon. Mr. CHEVRIER: On what page?

Mr. NICHOLSON: On page 20.

Mr. COOPER: That has nothing to do with equipment, that was to take up some securities.

Mr. JACKMAN: If the money market were free and open could you get your money more cheaply in the open market than you are now able to get it from the government on these equipment items?

Mr. VAUGHAN: On some of the items we might have done that. We are making representations from time to time where we think the interest charge is too high, and the finance department have been generous I think in adjusting them.

Mr. JACKMAN: Have they reduced it to 2 5/8 on the last equipment issue?

Mr. VAUGHAN: We got 2 5/8 on the basis of the representation we made to them because that was about the average rate of borrowings and we felt that they should not charge us more than that.

Mr. JACKMAN: Could you not get 2 5/8 if the market were open to you?

Mr. VAUGHAN: If we had gone into the open market we might have got 2 5/8 or better, depending on the term.

Mr. JACKMAN: Yes. What is the rate in the United States for similar equipment used over there and which would be properly chargeable in U.S. dollars against the equipment certificates? The rate is below 2 5/8, is it not, on high class equipment certificates?

Mr. VAUGHAN: We have some old equipment issues outstanding. The rate of interest shown on them. The reason is that these equipment issues have been handled with the government since the war started.

Mr. JACKMAN: In the United States; oh, yes. You have a lot of rolling stock in the United States?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: And you can borrow from the American public on that rolling stock?

Mr. VAUGHAN: We might have done that, but after consultation with the Department of Finance it was considered undesirable in view of their various transactions in the States that we should get into competition with the Canadian government in the borrowing of money.

Mr. JACKMAN: I am just trying to find out whether or not the government is disadvantaging the railway by reason of its parental care and solicitude. Surely the C.P.R. must be able to borrow on its American lines over there for its equipment at lower than $2\frac{5}{8}$.

Mr. VAUGHAN: They were not apparently able to do very much about it because their lines over there have been in receivership; however, since they have come out of receivership the picture may be different.

Mr. JACKMAN: I am talking about equipment, rolling stock. You will recall that we raised this item last year and as a result of representations that were made at that time, which were to the effect that the government should be able to give you money for the purchase of equipment of rolling stock at less than 3.5 per cent, that that charge was too high, it was apparently brought down; it seems to have had some effect. Our representation at that time was that they were charging too much.

Hon. Mr. CHEVRIER: Perhaps I should say that the Canadian National Railways are continually making representations to the government in that respect, and the government has already in refinancing, as Mr. Cooper set out a moment ago, reduced the rate from $3\frac{1}{2}$ to $2\frac{5}{8}$ per cent.

Mr. JACKMAN: That is on the new issue. You have got some old issues which perhaps could be paid for and refinanced and you might strengthen the hand of the railway.

Mr. VAUGHAN: We have a number of these matters under consideration now with the Department of Finance, and I think we are going to be able to make some progress with them.

Mr. JACKMAN: May I just ask in that connection on the open account with the Dominion government on the liability side of the balance sheet, \$661,000,000, what is the situation with regard to the interest paid to the government on that? It is the third item on the liability side of the balance sheet. What is the situation in regard to interest on that? Is there any interest paid to the government?

Mr. COOPER: We have paid interest right along.

Mr. JACKMAN: How much?

Mr. COOPER: At the rates shown on page 20, and the total amount in 1944 was \$19,933,000. Both the rates and the amount paid are shown in detail on page 20.

The CHAIRMAN: Is that satisfactory?

Mr. JACKMAN: That has reference to the \$661,000,000 item, not to the long term debt of \$629,000,000 to the public?

Mr. COOPER: The \$629,000,000 is the debt held by the public. The interest on that is shown just above, also in detail.

The CHAIRMAN: Can we pass on to page 5? Are there any more questions on page 4?

Mr. HAZEN: I was going to ask a question on page 3. It is a minor matter, but the subsidiary companies' budget is \$281,097. I notice in the report you have on page 21 investments in affiliated companies and on page 23 companies comprising the Canadian National Railway system. What are subsidiary companies. What do those words mean?

Mr. COOPER: Subsidiary companies to us means companies which we control by stock ownership.

Mr. HAZEN: Those would be the companies shown on pages 22 and 23 of the report?

Mr. COOPER: Yes.

Mr. HAZEN: May I ask another question about this? I am puzzled about this matter. On pages 22 and 23 of the report you show the names of the companies and then you have "owned by company number". Then you have the figure 1 under No. 3. I am looking at No. 3, Atlantic and St. Lawrence Railroad Company. You have the figure "1"; 1 what?

Mr. COOPER: Just a little higher up you will find that Company No. 1 is the Canadian National Railway Company, right at the top of the page. This means that the stock of the Atlantic and St. Lawrence Railroad Company is owned by the Canadian National Railway Company.

Mr. HAZEN: What does 24 mean? Where do we find that?

Mr. COOPER: Twenty-four is shown to be the Canadian Northern Railway Company so that the stock of the Bay of Quinte Railway is owned by the Canadian Northern Railway and the stock of the Canadian Northern Railway is owned by No. 1, the Canadian National Railway Company.

Mr. JACKMAN: I think it should be referred to the C.C.F. as to interlocking companies.

Mr. PICARD: I have an item I want to inquire about. How do you proceed as to your purchases of rails, ties, and so on? Rails have been discussed and also the price of steel last night or in the afternoon, but what about ties? Do you ask for tenders or do you just buy them on the market?

Mr. VAUGHAN: In normal times a price is usually set for each district which we feel is a fair price. That is the price paid to all in the particular district.

Mr. PICARD: How do you proceed with the distribution of that? Do they tender?

Mr. VAUGHAN: A man who wants a tie contract usually writes in and tells our tie department he will have so many ties available and if we need the ties we would take the ties at the price set in that particular locality.

Mr. PICARD: For instance, in one district would it be the superintendent of the district or would it be the head purchasing office?

Mr. VAUGHAN: The price of ties and the purchase of ties are all arranged in the office of our general tie and timber agent in Montreal.

Mr. PICARD: And he would contact the local people or have them communicate with himself. Any one particular man in one district would not know in advance how much you want. You do not go on the market and say, "We need so many ties"?

Mr. VAUGHAN: No.

Mr. PICARD: You just allow people to ask you if you need any and then you distribute it according to the district?

Mr. VAUGHAN: We know what ties we are going to need in each district each year. Our general tie and timber agent in the fall of each year, beginning about the end of August or early in September, begins to negotiate for these ties.

Mr. PICARD: What I was trying to find out was do you advertise for them?

Mr. VAUGHAN: No.

Mr. PICARD: Do you go on the market?

Mr. VAUGHAN: At one time we did advertise for ties but we got so many replies and many of them were from people who had never been in the tie business and would not know a tie when they saw it so we discontinued advertising. We got tenders from bakers, bartenders, saloon keepers, and many others so we said, "That is not good enough."

Mr. PICARD: Do you buy from companies?

Mr. VAUGHAN: We only buy from companies that are legitimately in that particular business.

Mr. PICARD: At the price fixed by you; you set the price?

Mr. VAUGHAN: At the price fixed which is the same for all.

Mr. PICARD: But the decision rests with the main office in Montreal as to which one you deal with as between one, two or ten people?

Mr. VAUGHAN: That is correct.

Mr. BEAUDOIN: Besides that do they not have to go through the creosoting process?

Mr. VAUGHAN: Not all of them. A large proportion of our ties today are being creosoted and they have to go to the treating plants.

Mr. BEAUDOIN: So you purchase your ties in the neighborhood of the location of that treating plant?

Mr. VAUGHAN: If the ties have to go to a treating plant to be treated we would naturally buy the ties from a point that would give us the least haul to the treating plant. We buy them as economically as we can having regard to all the factors that enter into the cost.

Mr. PICARD: I mean that the trade has to go after you. You do not ask for tenders. You do not go on the market. They go after you and you decide whether you will take this one or the other one?

Mr. VAUGHAN: That is correct. The same people supply us usually with ties from year to year. Occasionally there is a new man comes along, and if he is legitimately in the tie business he would be given a contract but in years gone by we have weeded out the poor contractors. Time and again we have found that a man who would tender for 100,000 or 200,000 ties would not give us any ties at all.

Mr. BEAUDOIN: Mr. Chairman, if the committee is through with page 4 I have a question on page 5. It is on a matter to be found at the bottom of that page where it says "To be transferred to proposed 1946 program". Then the next item is the 1945 program proposed. Is there not a mistake there about 1946? Should it not read "To be transferred to proposed 1945 program?" That is on page 5 at the bottom of the page.

Mr. PICARD: Of the budget?

Mr. BEAUDOIN: Yes. I understand it is the budget we are discussing now.

Mr. VAUGHAN: No, I think that is correct.

Hon. Mr. CHEVRIER: That has to be paid for in 1946. Is that not it?

Mr. VAUGHAN: The equipment would not be delivered until 1946 and would be paid for in 1946.

Mr. BEAUDOIN: Under the next item, 1945 program proposed, you have box cars, 1,500, and then you have box cars, 50-ton, 1,000 on order, 3,000. What is the explanation of that? Is that a different type of box car?

Mr. VAUGHAN: The only difference is in so far as carrying capacity is concerned.

Mr. BEAUDOIN: The 1,000 on order to which you refer there are of the same type as the ones mentioned above?

Mr. WALTON: The explanation of that 3,000 you are looking at is that there is a contemplated order of 3,000 of which orders have actually been placed for 1,000. The 3,000 just shows the complete order but only 1,000 of the 3,000 have yet actually been placed.

The CHAIRMAN: Are there any more questions on page 5, gentlemen?

Mr. JACKMAN: I think we ought to go over these items, Mr. Chairman. What do they all mean?

Mr. BEAUDOIN: Mr. Chairman, if we are through with our questions I would move the adoption of the budget.

Mr. JACKMAN: Let us have a look at this. What is the story on this page, Mr. Vaughan? It has to do with new equipment under dominion government hire purchase agreements. What does it all mean, Mr. Vaughan?

Mr. VAUGHAN: To what are you referring, Mr. Jackman?

Mr. JACKMAN: This is page 5. That is your rolling stock you want to buy and for which you want to get your appropriation in the budget. You want \$24,000,000 altogether; is that correct?

Mr. VAUGHAN: That is correct.

Mr. JACKMAN: The first item here is \$1,452,000. What does that item represent?

Hon. Mr. CHEVRIER: That is for orders for equipment in 1943 which were delivered and paid for in 1945.

Mr. JACKMAN: And 1944?

Hon. Mr. CUEVRIER: Is the same thing, and 1945 is the same thing. It is the same way all the way down.

Mr. VAUGHAN: We had certain budgets approved for specific quantities of equipment but we were unable to place the equipment because there was no space available for it in the car builders' plants due to the fact they were working on war materials so these equipment appropriations have been overlapping from year to year depending upon when we could get delivery of the equipment.

Mr. JACKMAN: And the details are below; is that it?

Hon. Mr. CHEVRIER: That is right.

Mr. JACKMAN: And box cars are the main item?

Mr. VAUGHAN: That is correct.

Mr. JACKMAN: You have revised your passenger accommodation provisions. First class coaches are down from 50 originally to 30. Why is that?

Mr. VAUGHAN: We revised it downward because at that particular time there was no possibility of getting the higher quantities but we were told there might possibly be an opportunity of having some space allocated to the plants for the smaller quantities. As it stands we have not been able to get any space allocated as yet for any passenger equipment at the car building plants.

Mr. JACKMAN: What is the relative cost between a box car and a first class passenger car?

Mr. VAUGHAN: A box car to-day would cost about \$4,000, roughly speaking. A new first class passenger car would cost to-day approximately \$80,000 each plus sales tax. That is a modern car.

Mr. JACKMAN: Did you not have some reference in your printed remarks as to the need for bringing up to first class condition your passenger accommodation? I thought I recalled something.

Mr. VAUGHAN: I think we referred to that under the item of deferred maintenance. We mentioned there was considerable work to be done on our passenger equipment which would be taken care of out of the amounts set aside for that purpose.

Mr. JACKMAN: There is no doubt that many of the crack American lines have equipment which I think it can be fairly said is a good deal more streamlined, and up-to-date and comfortable than anything we have on either of the railroads in Canada. Do you expect we will have to go in for major expenditures along that line very shortly, and is it desirable?

Mr. VAUGHAN: This equipment which we propose to build will be first class equipment in every respect. It will not be of the ultra-streamlined character such as you will find on some of the railroads in the United States. As a matter of fact, Canadian car builders at the present time are not equipped to build cars of that type in their shops. Some of them are endeavouring to make arrangements in that connection, but considerable capital expenditure is required on their part before they could build cars of the ultra-streamlined type. But these cars we have in mind to buy are just as comfortable as any cars that are built in the United States of the streamlined type.

Mr. NICHOLSON: How do they compare with your present first-class cars?

Mr. VAUGHAN: You have seen our latest type of first-class car, I presume. They would be somewhat of an improvement on that type of car.

Mr. NICHOLSON: I think the C.P.R. have a little more modern, first-class car than you have, have they not?

Mr. VAUGHAN: I do not think so. I do not agree with you.

Mr. NICHOLSON: Between here and Montreal, on the main line, was what I referred to.

Mr. MUTCH: Where do they keep them?

Mr. VAUGHAN: Generally speaking, we have just as many, and probably more, well-equipped first-class cars, as they have.

Mr. MUTCH: And you occasionally clean them.

Mr. JACKMAN: Sir Henry Thornton might have taken a different view.

Mr. MOORE: How much of this equipment mentioned at the bottom of page 5 is being made in Canadian National shops? Have you any idea of that?

Mr. WALTON: Just refrigerator cars.

Mr. VAUGHAN: The only new cars we manufacture in our own shops are refrigerator cars. All the other equipment will be made in commercial shops.

Mr. JACKMAN: May I ask a question about those American cars which are very different in design, with these bedroom affairs that they have and all the rest of it. Is it just competition which is forcing the pace there or are they more economical inasmuch as they accommodate more passengers with comfort?

Mr. VAUGHAN: A little of both, I think. First of all, there was the competition of buses on the highways with the railroads. Then one or two railroads started building streamlined trains and the other railroads thought they had to follow suit. There have been a lot of statistics prepared which we have gone over carefully, as to the cost of operating these trains. Most of the streamlined trains show satisfactory results. But, on the other hand, we do not know the business that these streamlined trains have taken away from their other trains. We have given a lot of study to this matter and we are still studying it. We have a committee studying the matter of diesel equipment versus steam equipment, and streamlined trains versus standard types of trains, and we have

not yet concluded what is the right thing to do in the interest of all concerned. We want to give the people in Canada the best possible service; and what they want most, I presume, is a comfortable ride on a good modern train.

Mr. JACKMAN: Yes, until they see there is something better.

Mr. VAUGHAN: We realize we have to keep abreast of the times.

Mr. JACKMAN: We are slipping a bit at the moment, are we not, because of war necessity, perhaps?

Mr. VAUGHAN: I beg your pardon?

Mr. JACKMAN: Are we not slipping a bit at the moment? For instance, when you see the New York Central train come into the Union Station at Toronto, it is a pretty smart thing in comparison with anything on either of the Canadian lines.

Mr. VAUGHAN: The New York Central has some very nice trains. But I do not think you would find them more comfortable trains to travel in, than our important trains.

Mr. JACKMAN: It has much nicer colours.

Mr. VAUGHAN: It is decorated in probably a more extreme way than our cars are. But, as I say, I think we will have something very nice for the travelling public when we get this new equipment built.

Mr. MUTCH: Are you considering expansion of the room cars; I mean in the number of room cars?

Mr. VAUGHAN: Yes, we are.

The CHAIRMAN: Are there any other questions, gentlemen?

Mr. HAZEN: What do you mean by hire-purchase agreements?

Hon. Mr. CHEVRIER: They are conditional sales agreements; they are the same as conditional sales agreements.

Mr. JACKMAN: It is the instalment principle.

Mr. HAZEN: Between the government and the railway?

Hon. Mr. CHEVRIER: Yes.

Mr. HAZEN: If it is a conditional sales agreement, where is the title? Who are the parties to it? Who is the vendor and who is the purchaser?

Mr. VAUGHAN: The ultimate purchaser is the Canadian National Railways.

Mr. HAZEN: Are there two parties to the agreement?

Mr. VAUGHAN: Yes. We have properly executed agreements with the government. There are usually serial payments which are paid off so much each year to the government. It is a standard hire-purchase agreement very similar to the standard equipment trusts which are in effect all over the North American continent. The only difference is that our arrangement is in effect with the government.

Mr. HAZEN: In other words, the government buys the equipment and sells it to you under an agreement of this kind?

Mr. VAUGHAN: Exactly.

Mr. PICARD: In that program of replacements, following up Mr. Jackman's idea, did I understand you to say that you intend to bring in new types of trains or do you intend to carry on with the old types? Is it just the new ones that you are going to have built, new passenger cars or pullman cars or whatever it is?

Mr. VAUGHAN: The equipment in this budget here is of an improved type on our present standard equipment. There is none of the ultra streamlined equipment in here.

Mr. PICARD: We were talking about comfort on the American lines. Is it because of the undercarriage on the new cars on the American lines that they run more smoothly?

Mr. VAUGHAN: I do not think so. We have the most modern trucks on our cars, and we believe our cars ride just as well as their cars do over there, even their newest types of cars.

Mr. PICARD: How do you account for the fact that the New York-Washington, for instance, would run much more smoothly than other trains? Would that be on account of the road bed being of cement blocks, or what is the reason for that?

Mr. VAUGHAN: It depends upon what railroad you are referring to, and what part of the railway you are travelling on. We think we have a road from Montreal to Chicago which is as good as that of any railroad on the continent, almost.

Mr. PICARD: I do not object to Montreal-Chicago. I am referring to the lines in Canada here, because the Montreal-Chicago line, after all, is one where you have only from Toronto to Detroit in Canada. The balance is in the United States, so there you have more competition, and your road bed is very much better although the equipment is the same. That might confirm my idea that maybe the road bed or the fact that they have some certain other features accounts for it.

Mr. VAUGHAN: The road bed undoubtedly has much to do with the comfort of a trip.

Mr. PICARD: That might account oftentimes for the smoother running of some of the trains?

Mr. VAUGHAN: Yes.

The CHAIRMAN: Are there any other questions, gentlemen?

Mr. JACKMAN: Mr. Vaughan, would you just say a word about labour relations.—I know we touched on it very briefly here.—And also on the rate structure, in view of the rising costs which the railways have to meet, including increased wage costs. What are your ideas on that now?

Mr. VAUGHAN: The newspapers some time ago had quite a bit to say about the railways having applied or were going to apply for an increase in freight rates. The railways have not, up to the present time, applied for any increase in freight rates, nor have they prepared a case as yet. We did not feel that it was in the interest of the economy of the country to apply for an increase in freight rates so long as we could pay our way. I cannot say what will happen in the future. If the railways cannot pay their way, then there certainly should be adjustment in the rates to enable them to pay their way.

Mr. JACKMAN: You are all right for the time being?

Mr. VAUGHAN: Yes.

Mr. REID: I hope the rates are adjusted out in British Columbia, because we are sure paying for it out there.

Mr. JACKMAN: Your labour relations are satisfactory, you say. You have a certain number of appeals?

Mr. VAUGHAN: Our labour relations are satisfactory. In fact, we have the best of labour relations with our men. Naturally, they are asking for increased wages from time to time, and they are matters of negotiation.

Mr. JACKMAN: How is your office staff? Let us take those between \$2,000, roughly and \$3,000 or \$4,000, who have not received the cost-of-living bonus. Have you had permission at all to give them any kind of increase during the last four or five years?

Mr. VAUGHAN: I think we had permission from the Salary Control Board to give our men receiving under \$400 a month an increase?

Mr. WALTON: Under \$400.

Mr. VAUGHAN: Yes, to our men under \$400 a month, those who had not received the cost-of-living bonus and other increases, we were authorized by the Salary Control Board to give up to \$40 per month increase.

Mr. JACKMAN: Up to \$40?

Mr. VAUGHAN: Up to \$40 per month increase.

Mr. JACKMAN: That would be, in percentage, about 10 per cent?

Mr. VAUGHAN: Around there.

Mr. JACKMAN: And that class of help is reasonably content then at the present time?

Mr. VAUGHAN: I think so.

Mr. JACKMAN: Does your system have regular pay increases according to the number of years served as the Civil Service does, for instance, until they get to a certain maximum?

Mr. VAUGHAN: No, sir. We have no system under which our men are increased annually a certain amount. We pay them what we think the position they occupy is worth.

Mr. JACKMAN: And every man is on his own feet, as it were?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: I suppose that a good many of the men, particularly those in the junior executive class on the road, must have been entitled, had there not been any regulations to the contrary, to a good deal more than a 10 per cent increase in the last four or five years?

Mr. VAUGHAN: The rates of pay of our men were frozen, and we were unable to do anything for them. But we did subsequently get this authority from the Salary Control Board to give those who had not participated in the other increases this \$40 a month which I spoke about. As far as the men above \$400 a month are concerned, we have an application before the War Labour Board now for an increase for them. They are the only ones who have not participated in any increase, except in the case of promotion.

Mr. JACKMAN: That is, the ones above \$4,000?

Mr. VAUGHAN: Above \$400 a month.

Mr. WALTON: You spoke about the War Labour Board, which was not quite correct.

Mr. VAUGHAN: I said "War Labour Board". I am wrong there. I should have said "Salary Control".

Mr. JACKMAN: Take the case of a clerk who was getting \$2,000 a year five years ago, a man of 25 or so, and who would normally expect, I presume, in an organization where he is doing a good job, perhaps an exceptional job, that he would after five years be getting \$3,000 or \$3,200 a year. He is not getting that, and you find there is no dissatisfaction from that?

Mr. VAUGHAN: No doubt some of our men, a number of our men, feel they should get higher salaries than they are paid at the present time. The depression, of course, set everybody back. There were very few promotions or increases in salary during the depression period. Then, of course, when the war came along, their salaries were frozen and we could not do anything for them unless they had a change in position. Men who have had a change in position have been paid the rate that went with that position.

Mr. JACKMAN: So some men really, on account of the depression and the inability of the railway to treat them as generously as they might like to treat them, have in effect been frozen for a good many years, apart from the vary small 10 per cent increase, perhaps?

Mr. VAUGHAN: There are officers in our system occupying the same position as they occupied many years ago, whom I am sorry to say we have been unable to give any increase to. We could not afford it for a long time; and now, when we can afford it, we are unable to do it.

Mr. JACKMAN: Suppose a man does get into a \$2,000 a year position with the railway, or a \$2,500 position, and stays in that position. Is it the practice of the railway to occasionally give him a small advance in recognition of his greater ability?

Mr. VAUGHAN: We would do that if he was a particularly good man. But the positions on our line are pretty well rated. We have a maximum fixed for a certain position; and when a man gets up to that rate, he cannot expect very much more for that particular position.

Mr. JACKMAN: There is no union among your white-collar workers?

Mr. VAUGHAN: Some of our men are in what is known as the Canadian Brotherhood of Railroad Employees. A number of our men are in that organization. Others are not in any organization.

Mr. JACKMAN: There is a union open to the men, no matter how high up they climb on the executive ladder, is there?

Mr. VAUGHAN: A union?

Mr. JACKMAN: Yes.

Mr. VAUGHAN: No, sir.

Mr. JACKMAN: You said that there are some offices who do belong to this brotherhood.

Mr. VAUGHAN: Well, take for instance, our audit offices. Are they in the brotherhood Mr. Cooper?

Mr. COOPER: Not the revenue officers. The revenue office is organized, but it is represented by a group of the men themselves. But our Toronto Regional Disbursements Office is organized under the C. B. of R. E., and the Moncton office is also organized but the Winnipeg office is not.

Mr. JACKMAN: Do you take any university men at all into your organization?

Mr. VAUGHAN: We have some university men, and I think we should take in more university men. It is difficult to do that unless we get them immediately they leave college, because the question of seniority is involved. A great many of our engineering officers, of course, are university men.

Mr. JACKMAN: But it has not been the practice of the railroads, either here or in the United States, I suppose, in the years gone by, to do more than promote the senior men coming up from the ranks, which is perhaps a very good system. But there are certain benefits which might flow from the introduction of a certain number of university men into certain fields of operation.

Mr. VAUGHAN: I think the time is coming when we should take in some young university men each year and move them around to different positions and see if we can make executives out of them.

Mr. JACKMAN: It has not gone on extensively at all in past?

Mr. VAUGHAN: No, sir.

The CHAIRMAN: Well, gentlemen, is that all for the budget? I think the motion is in order, and I believe Mr. Beaudoin has moved the adoption of the budget. Will any one second that?

Mr. BELZILE: I will second that.

Motion agreed to.

Mr. BEAUDOIN: What will be the next item that this committee will deal with?

The CHAIRMAN: Canadian National (West Indies) Steamships, Limited report. If we could take up this report I think that would be in order with the approval of the committee. You have copies of that report with you, I believe.

Mr. REID: I have one or two questions I would like to ask Mr. Vaughan and Mr. Cooper regarding the Canadian National (West Indies) Steamships, Limited.

Mr. VAUGHAN: Might I suggest first that I read this short report at the beginning and then questions can be asked afterwards. I may say that our report for 1944 was a short one. The boats were operating under the direction of the navy, or shipping board, and it was considered undesirable at that time to give details of their movements. I will read the report.

On behalf of the Board of Directors of Canadian National (West Indies) Steamships, Limited, I beg to submit the Annual Report of that Company for the Calendar year 1944.

The Balance Sheet as at December 31st, 1944, and the Income Account for the year 1944 are appended hereto.

Summarized, the operating results for the year as compared with the results for the previous year were as follows:

	1944	1943	Increase	
Operating Revenues	\$5,378,058.55	\$4,492,188.94	\$ 885,869.61	19.72%
Operating Expenses	3,403,725.74	3,188,578.72	215,147.02	6.75%
Operating Profit	<u>\$1,974,332.81</u>	<u>\$1,303,610.22</u>	<u>\$ 670,722.59</u>	

From the operating profit for 1944 there has been paid \$521,700 for bond interest and exchange and \$181,246.06 for interest on Government Notes and Advances, leaving an income surplus for the year of \$1,271,386.75, which has been paid to the Government in reduction of interest arrears and capital advances to the Company.

The Directors desire to pay sincere tribute to the loyalty and efficiency displayed by the officers and employees of the Company during another year of wartime operation.

The CHAIRMAN: Are there any questions?

Mr. REID: My first question deals with liabilities: "25 Year 5% Dominion of Canada Gold Bonds due in 1955, \$9,400,000"; and on the assets side, total assets for the vessels, plant and equipment, office furniture and fixtures, \$5,615,097.78. My question is: I presume if you have liabilities of over \$9,000,000 that the money was spent more or less on vessels, plant and equipment and furniture and so on, and I am asking why the assets, the real physical working operation of the steamships only amount to a little over \$5,500,000 compared with a loan of \$9,400,000?

Mr. VAUGHAN: Some of the vessels have been lost. You notice certain other items in the assets. I think Mr. Cooper can answer you better.

Mr. REID: I realize that inventories of stores and supplies etc. bring the figure up to \$15,000,000, but I am speaking of those other items, vessels, plant and equipment, office furniture and fixtures.

Mr. VAUGHAN: You can see that we have an insurance and replacement fund, \$7,267,865.29.

Hon. Mr. CHEVRIER: That really should be added to the \$5,589,000; those were vessels lost at sea. That would give you almost \$13,000,000 for vessels.

Mr. REID: Why was the depreciation less in 1944 than in 1943?

Mr. VAUGHAN: That would be because there were fewer boats, I presume.

Mr. COOPER: Yes.

Mr. REID: Regarding subsidies, why do the subsidies change each year? You received \$177,200 and \$137,772 in 1945. That is the subsidy given by the government. Why was it less?

Mr. VAUGHAN: The subsidies are not paid by the Canadian government; the subsidies are paid by a number of islands in the West Indies. We have been unable to perform some of the services for which those subsidies were paid. We have been unable to have our vessels call at those islands at certain times and, therefore, the full subsidy was not payable and it was adjusted.

Mr. REID: How many vessels have you?

Mr. VAUGHAN: In the Canadian National (West Indies) service there are the Lady Nelson, Lady Rodney, Cathcart, Cavalier, Connector, Chomdey and Colborne. The Lady Nelson is a hospital ship and the Lady Rodney is a troop ship. In 1944 we were operating a number of Park Steamship Company boats for the government. Altogether, we were operating about twenty-four vessels in 1944.

Mr. REID: I suppose the passenger revenues are only a small item?

Mr. VAUGHAN: There was practically no passenger revenue at all in the last few years.

Mr. NICHOLSON: How soon do you expect to have the passenger service resumed?

Mr. VAUGHAN: Three of the Lady boats out of five were sunk by enemy action; the other two were requisitioned by the government. One is a hospital ship and the other one is a troop ship. We do not expect to get those boats back until, perhaps, next mid-summer—may be sooner than that—and it will take three or four months approximately to put those boats in condition to carry passengers.

Mr. MUTCH: Is the Lady Rodney still running troops?

Mr. VAUGHAN: Yes.

Mr. REID: There seems to be a wrong item in here, that item of over \$500,000. That seems to be a lot of money outstanding for those three items when one considers the revenue from freight?

Mr. COOPER: It is a large item, but nevertheless there is nothing wrong with it.

Mr. REID: I am not saying there is. Is that from one year's operation due the company?

Mr. COOPER: That is the amount outstanding at the end of the year.

Mr. VAUGHAN: There would be a considerable amount of that due from the Canadian government for the rental of those two boats which they have requisitioned. There is always a considerable amount outstanding. That would be the principal amount outstanding.

Mr. NICHOLSON: The Canadian government is sure pay, but somewhat slow, I suppose.

Mr. VAUGHAN: Sometimes.

Mr. JACKMAN: You seem to carry about a 75 per cent increase in gross and net profits. Are you likely to continue that very favourable trend?

Mr. VAUGHAN: No, sir, I do not think we will. We have certain agency profits which may disappear. We have been operating boats for the ministry of war transport and we have been operating a number of foreign boats—Danish, Finnish and French—but most of them have been handed back to those countries, and I do not think our position for next year—that is for 1946—will be as good as for 1945.

Mr. JACKMAN: Will any change in Empire tariffs have an effect on the Canada-West Indies arrangement?

Mr. VAUGHAN: It might.

Mr. JACKMAN: What are you expecting to happen generally in the Canadian National (West Indies) Steamships, Limited?

Mr. VAUGHAN: I would like to be able to tell you, Mr. Jackman, but that is beyond me. I do not know.

Hon. Mr. CHEVRIER: Perhaps I should say something on that. I think the whole future depends upon what will be done with the trade agreement with the West Indies. The trade agreement existing at the moment will terminate six months after hostilities cease. Whether the agreement will be renewed or not, I do not know. If it is renewed, that brings up the question of freight and passenger traffic on those lines; if it is not renewed I do not know what will happen.

Mr. HAZEN: When does it terminate, six months after the declaration by the government?

Hon. Mr. CHEVRIER: I cannot answer that; I do not know what the agreement says; but I do not think it is six months after the declaration. I would think it is six months.

Mr. HAZEN: After the termination?

Hon. Mr. CHEVRIER: Yes.

Mr. VAUGHAN: The agreement itself, Mr. Minister, could be cancelled on six months' notice. It expired some time ago, but I think as you say it has been carried on in the meantime.

Hon. Mr. CHEVRIER: Neither of the parties has given notice.

Mr. VAUGHAN: No.

Mr. JACKMAN: During the years this line has been running with a subsidy, it received subsidies under the agreement. Is it still necessary for it to have a government subsidy, or is the traffic now such that it can operate economically?

Mr. VAUGHAN: We have not had any assistance from the government for some time. We have had, as the statement shows, some profit the last few years. In the early stages there were losses sustained. You may probably recall that when the Canada-West Indies trade agreement was entered into, Canada undertook to provide certain specific services; the number of boats to be in these services, ports of call, frequencies of service, are all set out in the agreement. At that time the Dominion of Canada advertised for tenders for the operation of these services. I think they only got one reply which was for the eastern service, and the company tendering wanted something like \$500,000 to \$600,000 per annum subsidy to perform the service. They received no tender for the western service because I presume the subsidy they would have to ask for that service would be so large they would not be able to get it. It is fair to say, though, that a subsidy of at least a million dollars a year would have had to be paid for both services. The Dominion of Canada then decided that the Canadian National-West Indies Steamships would undertake this service, which we did, although we did not get the subsidy which the commercial lines asked for, and had we been given such a subsidy there never at any time would have been a deficit shown.

Mr. JACKMAN: Is the service worth continuing on an economic basis?

Mr. VAUGHAN: I think it is, yes. The service is very valuable to Canada. All the Caribbean countries want this service continued.

Mr. JACKMAN: What about the co-operation of the various countries concerned?

Mr. VAUGHAN: The subsidies they give are of course a mere bagatelle. I think there was a meeting of the Caribbean boards of trade some time ago and they petitioned the Canadian government for a renewal of the Canadian-West Indies trade agreement, and for a continuance of these services. The people down there are very well pleased with the services. I believe whether the Canada-West Indies trade agreement is renewed or not that these services in a limited way should continue, otherwise the export trade of Canada will suffer very materially. Canada has been the main source of supply for the West Indies all during the war, and these boats have performed that service.

Mr. JACKMAN: So the way things stand now the service has paid for itself and in addition provides an outlet for Canadian products?

Mr. VAUGHAN: In recent years.

Mr. JACKMAN: Would that apply just for the last year?

Mr. VAUGHAN: No, I think for the last four or five.

Mr. HAZEN: When did we commence to carry on the business of the Canadian National (West Indies) Steamships?

Mr. VAUGHAN: My recollection is, about 1929; is that right?

Mr. COOPER: 1929, yes, sir.

The CHAIRMAN: Gentlemen, could we adopt the balance sheet? Is that asking too much?

Mr. JACKMAN: Well, Mr. Vaughan, we are not at all concerned about letting the government clean up that \$8,000,000 which has accumulated during the years; that does not seem to worry anyone. It is not very happy in the balance sheet.

Mr. VAUGHAN: No, We are not happy having it in the balance sheet. We did get an adjustment of the interest the government were charging us on that, which up to a year ago was 5 per cent, but eventually they reduced it to 3.5 per cent. We feel that the operating deficits should not have been carried in the balance sheet, that it should have been taken care of from year to year.

Mr. HAZEN: You lost about \$500,000 average since the company commenced to operate?

Mr. VAUGHAN: Hardly that much.

Mr. HAZEN: Well, what is it then?

Hon. Mr. CHEVRIER: There has been a substantial profit since 1940. A loss was shown prior to that.

Mr. VAUGHAN: The debits are shown there from 1929 to 1934; amounting to \$5,039,000 for those years.

Mr. HAZEN: The deficit is \$8,070,000, is it not?

Mr. VAUGHAN: Yes.

Mr. HAZEN: And if you divide that by 16, would you not get about \$500,000?

Mr. VAUGHAN: Yes, I presume it is about that.

Mr. HAZEN: You have been losing on an average half a million dollars a year on the operations?

Mr. VAUGHAN: Even at that it is not costing half what the government would have had to pay in subsidies to commercial lines based on the tenders put in by them.

Mr. HAZEN: Subsidies for what?

Mr. VAUGHAN: For the operation of the service. Nobody would have undertaken the service without a subsidy. As I say, the dominion government called for tenders, and they only got one tender. That company asked for \$500,000 for the eastern service only, and they would not quote at all on the western service which is Nassau, Jamaica and British Honduras. The government would have had to pay a higher subsidy for the western service so it is fair to say, I believe, that the subsidy asked by commercial services for the two would have been at least \$1,000,000. So taking into account these losses they are much less than the government would have had to pay if commercial companies had been operating the service.

Hon. Mr. CHEVRIER: The government did pay subsidies to certain companies before Canadian National Steamships took it over.

Mr. HAZEN: What did they amount to?

Mr. VAUGHAN: The government paid a subsidy for many years to the old Royal Mail Steamship Company which operated four old boats which had been written off their books. They paid a subsidy of between \$300,000 and \$400,000 a year for the eastern service only.

Mr. HAZEN: Do you think that a loss of half a million dollars a year is justified for the results obtained?

Mr. VAUGHAN: Yes.

Hon. Mr. CHEVRIER: Your people in the maritimes are very strongly in favor of that.

Mr. HAZEN: I am asking Mr. Vaughan.

Hon. Mr. CHEVRIER: I thought you would be interested in knowing that several resolutions have come from boards of trade in the maritimes favoring that.

Mr. HAZEN: I know that.

Mr. VAUGHAN: I should like to point out that most of that loss is represented by depreciation. What is the cash loss?

Mr. COOPER: About \$250,000 a year. It averages that.

Mr. JACKMAN: Have you got boats on order to replace the ones which were sunk?

Mr. VAUGHAN: We have no new vessels on order. I should qualify that. There are three vessels being built which were started under the wartime ship-building program. They are improved freighters with a small amount of passenger accommodation. They will be turned over to us when they are completed for this service.

Mr. JACKMAN: There is no definite policy in regard to the future of this company at the present time.

Hon. Mr. CHEVRIER: I do not think there can be until we decide whether it will be advisable to renew the agreement.

Mr. JACKMAN: May I ask another question? The United Fruit Company brings up a lot of bananas from Guatemala and Salvador to New York. Is there any reason why we should not be able to get the transportation of those fruits into Canada?

Mr. VAUGHAN: If we had the vessels available I think perhaps we could get some of that banana business. We did carry very large quantities of bananas before the war in our boats.

Mr. JACKMAN: From the West Indies?

Mr. VAUGHAN: Yes, we brought most of the bananas into Canada on our boats before the war.

Mr. HAZEN: Do the United Fruit boats come into Canadian ports?

Mr. VAUGHAN: The United Fruit Company had one boat which came into St. John at infrequent intervals.

Mr. HAZEN: Yes. I know when it came there.

Mr. VAUGHAN: Yes. But we carried most of the bananas into Canada in our vessels.

Mr. HAZEN: What is to become of the Park boats? Are there any plans about those? You are still operating them, are you?

Mr. VAUGHAN: We are operating a number of Park boats, yes. We will continue to use those boats as long as there is freight for them. They have been assigned to us on the same basis as other vessels of the Park Steamship Company have been assigned to various commercial shipping companies.

Mr. PICARD: I move the adoption of the report.

Mr. BEAUDOIN: I second the motion, Mr. Chairman.

Mr. CHAIRMAN: Is that O.K.?

Mr. JACKMAN: It must be 6 o'clock.

Mr. BEAUDOIN: Are we adopting at the same time page 6 of the budget?

The CHAIRMAN: What about the budget?

Mr. PICARD: That is included in the motion.

Mr. JACKMAN: There are no capital items in that part of the budget at all.

Mr. VAUGHAN: No. No capital expenditures.

Mr. JACKMAN: Just what increased operations show. There is nothing to debate.

Motion agreed to.

CONSOLIDATED BALANCE SHEET
AS AT 31st DECEMBER, 1944

ASSETS		LIABILITIES	
CAPITAL STOCK:			
Vessels.....	\$ 5,589,268 15	Authorized and issued 400 Shares of \$100.00 each.....	\$ 40,000 00
Plant and Equipment.....	8,273 78		
Office Furniture and Fixtures.....	17,555 85		
FUNDED DEBT:			
25 Year 5% Dominion of Canada Guaranteed Gold Bonds due in 1955.....	\$ 5,615,097 78		9,400,000 00
DOMINION OF CANADA ACCOUNT:			
Notes Payable Secured by Mortgages on Vessels.....		\$ 583,071 83	
Advances:			
Working Capital.....\$	450,000 00		
Deficits (1929-1934)....	5,059,960 94		6,093,032 77
CURRENT LIABILITIES:			
Accounts Payable.....	\$ 1,064,427 88		
Interest Matured Unpaid.....	10,350 00		
Unmatured Interest Accrued.....	156,666 67		
Passage Money paid in Advance.....	10,087 48		1,241,532 03
UNADJUSTED CREDITS.....			103,189 05
UNCOMPLETED VOYAGES—SUSPENSE.....			202,177 16
ACCRUED DEPRECIATION.....			2,706,119 05
INSURANCE AND REPLACEMENT RESERVE.....			3,411,913 97
PROFIT AND LOSS:			
Deficit at 1st January, 1944.....	\$ 9,341,448 26		8,070,061 51
Surplus for year 1944.....	1,271,386 75		\$15,127,902 52
NOTE:—A reserve has been provided for pension contracts in force under the 1935 contractual plan, but not for pensions conditionally accruing.			
\$15,127,902 52			
		T. H. COOPER, Comptroller.	

CERTIFICATE OF AUDITORS

We have examined the books and records of the Canadian National (West Indies) Steamships, Limited and Subsidiary Companies for the year ended 31st December, 1944, and we certify that, in our opinion, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the affairs of the Steamships as at the 31st December, 1944, and that the relative Income account for the year ended the 31st December, 1944, is correctly stated.

GEORGE A. TOUCHE & CO.,
Chartered Accountants.

15th March, 1945

CONSOLIDATED INCOME ACCOUNT

OPERATING REVENUE:

	1944	1943
Freight	\$ 4,125,593.02	\$ 3,503,027.22
Passenger	8,231.61	13,295.52
Miscellaneous	262,880.93	112,282.25
Subsidies	177,200.00	172,770.00
Charter	804,152.99	690,813.95
 Total	 \$ 5,378,058.55	 \$ 4,492,188.94

OPERATING EXPENSES:

Closed Voyages	\$ 3,004,628.20	\$ 2,740,371.98
Depreciation on Vessels	243,158.05	239,362.63
Management and Office Salaries.....	119,685.66	99,191.17
Pensions	3,338.00	81,470.68
Other Expenses	32,915.83	28,182.26
 Total	 \$ 3,403,725.74	 \$ 3,188,578.72
 Operating Profit	 \$ 1,974,332.81	 \$ 1,303,610.22
Interest on Bonds held by Public.....	470,000.00	470,000.00
Exchange on U.S. Funds	51,700.00	51,700.00
Interest on Government Notes and Advances...	181,246.06	343,072.94
 SURPLUS	 \$ 1,271,386.75	 \$ 438,837.28

The CHAIRMAN: Very well, gentlemen. That is the West Indies report. The next meeting, if it is agreeable to the committee, will be to-morrow morning at 11 o'clock in room 497. There is some difficulty about rooms to-morrow. Will 11 o'clock to-morrow be satisfactory to the committee?

Some Hon. MEMBERS: Yes.

Mr. HAZEN: What are you going to take up?

The CHAIRMAN: We have yet the securities trust report, the auditors' report and the minister's estimates.

Mr. JACKMAN: And the Trans-Canada Air Lines.

Mr. HAZEN: The minister's what?

The CHAIRMAN: The minister's estimates. You have three.

Hon. Mr. CHEVRIER: There are three estimates referred to the committee.

The CHAIRMAN: I mentioned the Trans-Canada Air Lines the other day. We have to give some notice to bring officials here from Winnipeg and so on. I mentioned the other day if it is possible to conclude this part of the proceedings this week, then we can go on with the Trans-Canada Air Lines next week, if that is agreeable to the committee. We have not much left. We should be able to get through that. That is not going too far, is it? We should be able to get through Canadian National Securities Trust, the auditors' report and the estimates.

Hon. Mr. CHEVRIER: I do not think we should go on with the Trans-Canada Air Lines report until we finish this.

Mr. JACKMAN: No. That is all right. I wondered which we would take up first, that or the matter which Mr. Howe has referred to in the House.

Hon. Mr. CHEVRIER: The point there was to see that the officers were available. Mr. Symington is in Montreal and while he may have been here this week, I doubt whether the officers would have been.

Mr. JACKMAN: When does Mr. Howe expect third reading on that matter?

Hon. Mr. CHEVRIER: He has to get second reading first, which will be to-morrow, I hope.

The CHAIRMAN: There is just one more thing, gentlemen. I am new on this committee, and I am not sure whether this reference from the House should be taken up first or whether the Trans-Canada Air Lines report should be.

Mr. JACKMAN: The reference from the House on the T.C.A.

Hon. Mr. CHEVRIER: No. I think we should complete this business first and discuss the Trans-Canada Air Lines afterwards.

Mr. BEAUDOIN: That is most logical.

Mr. JACKMAN: There is the suggestion as to whether we should take the T.C.A. report first or the reference on the T.C.A. from the House.

Hon. Mr. CHEVRIER: That is a matter that we can discuss next week, I think.

The CHAIRMAN: We can discuss that. We shall try to finish this to-morrow, everything in connection with the railway; that is, the auditors' report, securities trust report and the minister's estimates.

Mr. JACKMAN: We will sit at 11 o'clock in the morning and in the afternoon?

The CHAIRMAN: Say 4 in the afternoon, if that is agreeable to the committee. We will now adjourn.

The committee adjourned at 6.15 p.m. to meet again on Thursday, October 25, at 11 o'clock a.m.

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SESSION 1945
HOUSE OF COMMONS

STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

THURSDAY, OCTOBER 25, 1945

WITNESSES

Mr. R. C. Vaughan, Chairman and President Canadian National Railways;
Mr. N. B. Walton, C.B.E., Executive Vice-President, C.N.R.;
Mr. T. H. Cooper, Comptroller, Canadian National Railways;
Mr. O. A. Matthews, Representing George A. Touche & Co., Auditors;
Mr. J. G. MacLachlan, Manager, Hudson Bay Railway.

OTTAWA
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PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1945



MINUTES OF PROCEEDINGS

Room 497

THURSDAY, October 25, 1945.

The Standing Committee on Railway and Shipping owned, operated and controlled by the Government met this day at 11 o'clock a.m. Mr. Murray Clark, Chairman, presided.

Members present: Messrs: Chevrier, Clark, Coyle, Beaudoin, Emmerson, Gibson (*Comox-Alberni*), Harkness, Harris (*Grey-Bruce*), Hazen, Jackman, Maybank, Nicholson, Reid.

In attendance: Mr. R. C. Vaughan, Chairman, and President; Mr. N. B. Walton, C.B.E., Executive Vice-President; Mr. T. H. Cooper, Comptroller; of Canadian National Railways. Mr. C. P. Edwards, O.B.E., Deputy Minister of Transport. Mr. F. M. MacLennan, secretary, The Canadian National Railways Securities Trust. Mr. O. A. Matthews and Mr. F. M. Stone of the firm of George A. Touche & Co. Auditors.

Mr. R. C. Vaughan tabled certain returns requested by the Committee at the preceding meeting. These returns appear as Appendices "A", "B", "C" and "D" to the Minutes of Evidence of this day.

Certain questions were asked arising of the consideration of the Annual Report of Canadian National (West Indies) Steamships, Limited, which were answered by Mr. Vaughan and Mr. Cooper.

The Committee then proceeded with its consideration of the Canadian National Railways Securities Trust for the Calendar year 1944. Mr. Cooper, Comptroller, at the invitation of the members, gave the Committee an outline of the purpose behind the setting up of the Securities Trust.

At the conclusion of the study of the Annual Report, presented by Mr. Cooper, Mr. Beaudoin proposed its adoption and the question being put it was carried unanimously.

The Committee then proceeded with the consideration of the Report of the Auditors to Parliament as it relates to the Canadian National Railway System, The Canadian National Railways Securities Trust and the Canadian National (West Indies) Steamships, Limited. Mr. O. A. Matthews and Mr. F. M. Stone, of the firm of George A. Touche & Co., Auditors, were called.

Mr. Matthews presented the Report and the discussion thereon, was adjourned to the next meeting.

At 1.10 o'clock p.m. the Committee adjourned to meet again at 4 o'clock p.m. the same day.

Room 497

THURSDAY, October 25, 1945.

The Committee met again this day at 4 o'clock p.m. Mr. Ralph Maybank, Vice-Chairman, presided.

Members present: Messrs: Chevrier, Coyle, Beaudoin, Belzile, Bourget, Emmerson, Harkness, Harris (*Grey-Bruce*), Hazen, Jackman, LaCroix, Maybank, McCulloch (*Pictou*), Moore, Mutch, Nicholson, Reid.

In attendance: The Officers and officials mentioned as being present at the morning sitting with, in addition, Mr. J. G. MacLachlan, Manager of the Hudson Bay Railway.

The Committee resumed from the morning's sitting the consideration of the Auditors' Report to Parliament.

Mr. O. A. Matthews was again heard. Other questions arising out of the Report were answered by Messrs. Vaughan, Walton and Cooper.

On motion of Mr. Reid, the Report of the Auditors as it relates to The Canadian National Railways System, The Canadian National Securities Trust and The Canadian National (West Indies) Steamships, Limited, was adopted unanimously.

The following items of the Estimates for the year ending 31st March 1946 were considered, namely:

Vote No. 377, Maritime Freight Rates Act, Canadian National Railways;

On motion of Mr. McCulloch the said item was adopted unanimously.

Vote No. 378, Maritime Freight Rates Act, Railways other than Canadian National Railways;

On motion of Mr. Reid, the said item was adopted unanimously.

Vote No. 421—Prince Edward Island Car Ferry and Terminal Deficit.

On motion of Mr. McCulloch, the said item was adopted unanimously.

The Committee agreed that Mr. Maybank, the Vice-Chairman, would present the necessary Report to the House recommending the adoption of the above Items of the Estimates.

Mr. J. G. MacLachlan, Manager of the Hudson Bay Railway, was called. He presented to the Committee a Financial Report on the Operations of the said Railway, which report appears as Appendix "D" to this day's Minutes of Evidence. Mr. MacLachlan was questioned thereon and he retired.

Mr. Maybank, Vice-Chairman, extended the thanks of the Committee to Mr. Vaughan and the other Officers of Canadian National Railways for their attendance to which Mr. Vaughan expressed the appreciation of the officers and himself for the consideration accorded to them by the Committee.

On the motion of Mr. Mutch, the Committee adjourned to meet again at 11 o'clock a.m., Tuesday, October 30, 1945.

ANTOINE CHASSÉ,
Clerk of the Committee.

REPORT TO THE HOUSE

FRIDAY, October 26, 1945.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government begs leave to present the following at its

SECOND REPORT

Your Committee has considered the following items of the Estimates for the year ending 31st March, 1946, referred to it on October 17, 1945, and recommends their adoption, namely:—

Vote No. 377—Maritime Freight Rates Act, Canadian National Railways	\$3,500,000.00
Vote No. 378—Maritime Freight Rates Act, Railways other than Canadian National Railways,	\$ 900,000.00
Vote No. 421—Prince Edward Island Car Ferry and Terminal Deficit	\$ 713,000.00

All of which is respectfully submitted.

RALPH MAYBANK,
Vice-Chairman.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, October 25, 1945.

The Standing Committee on Railways and Shipping met this day at 11.00 o'clock a.m. The Chairman, Mr. S. M. Clark, presided.

The CHAIRMAN: There were some questions asked last night on which some of the officials would like to file answers. If that is agreeable Mr. Vaughan and Mr. Cooper will file answers to certain questions that were asked last night.

Mr. VAUGHAN: We were asked for a breakdown of our earnings and expenses by regions. I am filing that.

(Statement of Net Operating Revenue by Regions, 1944, appears as Appendix "A")

I think it was Mr. Hazen who asked for a statement of capital expenditures for the year 1944 on the Prince Edward Island car ferry and terminals.

Mr. HAZEN: While we are on that I understood you to say yesterday that the cost for a truck was \$6.

Hon. Mr. CHEVRIER: I think I said that.

Mr. HAZEN: I should like to have more information on that. Perhaps that report shows it. My information is that if a man living on the island takes a 5-ton truck loaded with potatoes to the mainland, leaves those potatoes there, loads up with coal and brings it back it costs him \$60.65. My information is that it is made up as follows, that he has to pay \$10 when he brings the truck on the ferry to put it on the car. It has to be put on a car and that costs \$10 each way or \$20. Then he has to pay 5 cents a pound, I think it is, for the stuff he is hauling. If it is 5 tons that comes to \$20, \$10 each way. That makes \$40. Then the driver of the truck pays 65 cents. In addition to that I understand there is a further charge. I have not got the memo on it here before me, but I understand that it costs a man with a 5-ton truck \$65 to take it loaded from the island to the mainland and bring it back to the island loaded. The distance is about nine miles.

Mr. BEAUDOIN: That is provided he comes back with a load.

Mr. REID: He would have to get a good price for his potatoes to pay a charge of that kind.

Mr. HAZEN: That adds so much to the cost of production. That is what they complain about.

Mr. VAUGHAN: We have not got those trucking charges here. I think what we had better do is to file a statement of the costs so that it will be on record in your proceedings.

Mr. HAZEN: The people on the island complain, and I think naturally, that the rate is too high. It certainly works to their disadvantage. When they take their potatoes over to the mainland to sell they have that big charge against them as overhead, and when they bring back coal for their own use they have got a big charge against that.

Mr. VAUGHAN: Most of the potatoes are moved by railroad. I do not think there are many potatoes moved by truck from the island to the mainland.

Mr. EMMERSON: That would be a man who was peddling, would it not?

Mr. VAUGHAN: Yes. There is a third statement here in response to a question asked by Mr. Hazen which gives our capital expenditures by provinces on the Atlantic region.

(Statement appears as Appendix "B")

The CHAIRMAN: I should like to ask one question for my own information as I often buy potatoes from Prince Edward Island. If I understood you correctly you said that the charge was 5 cents a pound, Mr. Hazen. That would be at the rate of \$3.75 a bag.

Mr. HAZEN: My information is only in the form of a rough note as I have it here. I have not got the particulars. Five tons of potatoes cost \$20. You can work out from that what it costs a pound.

The CHAIRMAN: That is a lot different. Five tons of potatoes would be 10,000 pounds. That is 2 cents a pound.

Mr. HAZEN: It is 20 cents a hundred pounds, is it not?

Mr. JACKMAN: That is more reasonable.

The CHAIRMAN: That is why I asked the question. I could not imagine that it was 5 cents a pound. These statements have been filed here for your information.

Mr. VAUGHAN: There is just one more statement. In order to amplify what was said last night regarding Canadian National West Indies steamships if agreeable to you, Mr. Chairman, and the committee, I should like Mr. Cooper to read a statement in that connection so that it may go on record or we can file it and put it on record. It is a summary of the results achieved by Canadian National West Indies Steamships from the period of their commencement up to the end of 1944.

Mr. COOPER: For the sixteen years, 1929 to the end of 1944, the total operating revenue was \$70,914,886.76. Operating expenses were \$62,351,626.63 showing an operating surplus for the sixteen years of \$8,563,260.13. After meeting interest on the bonds held by the public which was \$6,958,611.12, paying exchange and taking care of the discount which was suffered at the time the bonds were issued there was a surplus of \$746,142.52. Then we have to take up interest due the government and depreciation on the vessels. The interest due to the government in this period amounted to \$4,190,615.86 and the depreciation charged was \$4,625,588.17, so that the deficit of \$8,070,061 which appears on the balance sheet is entirely due to the charge for interest due the government and to the setting up of depreciation. Then I should like to point out that if this company were wound up today, that is, at the end of 1944, as against the deficit of \$8,070,061.51 which was referred to yesterday we have the insurance and replacement reserve, \$3,411,000. In the event of a winding up, that reserve would be transferred to surplus account so that to the end of 1944 the overall deficit of this company from the inception of its operations, including all operating costs, bond interest, interest due the government and depreciation, is \$4,658,000.

Mr. JACKMAN: And your capital would be intact either by assets in the form of ships or in your insurance reserve?

Mr. COOPER: To the extent we still have vessels in service, it would depend on the realizable value of those vessels compared with the present book value, the net book value after depreciation.

Mr. REID: What induced the C.N.R. to go into the shipping business to the West Indies in the first instance?

Mr. VAUGHAN: That was because of the Canada West Indies agreement. It was felt by the government after calling for tenders for the operation of this

service that the Canadian National West Indies Steamships could operate a better service with less cost to the Dominion of Canada and that has proved to be the case.

The CHAIRMAN: Is that all on that item?

Mr. JACKMAN: Have we got that picture clear, Mr. Cooper, on the summary of the historical operation of the West Indies Steamship Company? I did not follow it too closely, but as I understood it there was almost \$9,000,000 in the two items, interest due the government and depreciation, against which you could offset a small operating profit over the period. Let us call it a net of \$8,000,000. Then you spoke of an insurance reserve of \$4,000,000, was it?

Mr. COOPER: The balance sheet shows it as \$3,411,000.

Mr. JACKMAN: So you arrive at a net figure of . . .

Mr. COOPER: \$4,658,000.

Mr. JACKMAN: What about the original capital that went into the situation? That is not intact at all, is it?

Mr. COOPER: Oh, yes, any vessels which have gone out of service have been provided for in that figure. Then I mentioned in answer to your question that there would have to be taken into consideration the realizable value of our assets in comparison with their present net book value. I just wanted to remove the impression which seemed to be left with the committee yesterday that this company in its operations had lost money apart from interest and depreciation, and I am not questioning whether they are correct charges or not. Taking into account this reserve which we have on the books the real book deficit today is \$4,658,000.

Mr. HAZEN: As shown in your statement it was \$8,070,000, was it not?

Mr. COOPER: Yes.

Mr. HAZEN: I took that amount, divided it by 16 and figured out you were going behind on an average of half a million dollars a year.

Mr. COOPER: That is quite right, but nevertheless we should take into consideration the fact that we have this reserve of \$3,411,000 which in the event of the winding up of the company would be applicable to reduce the book deficit of \$8,070,000.

Mr. JACKMAN: The capital stock is a very nominal item on the balance sheet, \$40,000?

Mr. COOPER: That is correct.

Mr. JACKMAN: What else is there against the assets besides that capital stock? That is the only proprietorship item. What other money was put into the company to acquire assets in the first place or as the company went on during the years?

Mr. VAUGHAN: There was the bond issue.

Mr. JACKMAN: \$9,400,000.

Mr. VAUGHAN: Yes.

Mr. JACKMAN: The true picture is then that if you have a few ships sunk, collect your insurance policies and apply the proceeds to wipe out your deficit you have still got your capital liability on the proprietorship account and on the borrowing account?

Mr. VAUGHAN: Yes, but we have this reserve Mr. Cooper speaks about as well as a number of vessels as assets.

Mr. JACKMAN: He has used that once already, Mr. Vaughan. That is what I am not quite clear about.

Mr. COOPER: At the end of 1944 we have \$15,000,000 of assets, and apart from the item of \$40,000 of discount they are all good assets, assuming that the value of the vessels is all right. I will file with the reporter the statement I have used showing the sixteen year income statement, if the committee wishes it, which will show the earnings from freight, passenger, and subsidies, and all operating costs, a complete breakdown of the deficit of \$8,000,000 as shown in the balance sheet.

(Statement appears as Appendix "C".)

The CHAIRMAN: Is it agreeable to file that statement?

Some Hon. MEMBERS: Yes.

Mr. JACKMAN: Mr. Hazen's statement though is not only substantially but absolutely correct that during the operating life of this company there has been lost \$8,000,000 which, as he pointed out, averages about \$500,000 a year. Had it not been for the five quite prosperous war years when your volume was up and other conditions operated in your favour it would have been substantially more. The war years are years which we cannot expect to have repeated with their volume of business and other conditions. Is that true?

Mr. COOPER: There is no very good reason why the item of \$3,411,000 shown on the balance sheet as being in reserve should not be transferred to surplus account in which event the over all deficit would be \$4,658,000.

Mr. JACKMAN: That reserve on the liability side must be against some asset. What asset is it against? It is not an asset; it is a liability.

Mr. COOPER: It is surplus. If you were arriving at the net surplus you would take the gross assets and deduct liabilities. This is not a liability, although it is on the liability side of the balance sheet.

Mr. JACKMAN: The balance sheet must balance and the \$3,411,000 must be found in some form or other in one of the accounts on the asset side. We can give credit for \$15,000,000 on the asset side but you cannot take credit for a reserve on the liability side too, surely?

Mr. COOPER: As against an asset.

Mr. JACKMAN: If we give you credit for \$15,000,000 of assets in this company those are all the assets you have?

Mr. COOPER: Right.

Mr. JACKMAN: If you take your liabilities the \$9,400,000 is a real liability; the \$6,000,000 is a real liability and your current liabilities are \$1,200,000. They are real. Your unadjusted credits are not important anyway but accrued depreciation is certainly real.

Mr. COOPER: You must stop there when you are considering liabilities.

Mr. JACKMAN: It is not a liability to the public. That is quite true, but in order not to overstate your profits or to understate your losses you must set up your depreciation. I presume you have maintained the original book value of your assets and do not carry your ships at their depreciated value on the asset side. You measure the depreciation on the liability side. We might just as well transfer the \$2,700,000 over to the asset side under vessels and take a net figure of \$5,500,000 less \$2,700,000?

Mr. COOPER: Quite correct.

Mr. JACKMAN: That is a real liability inasmuch as it measures the deficiency of an item on the asset side?

Mr. COOPER: Right, and if you do what you say you will arrive at a net deficiency in assets as compared with liabilities of \$4,658,000.

Mr. JACKMAN: I still do not see why it is not \$8,000,000 as your balance sheet states. The item of \$3,411,000 is the one which we are discussing.

Mr. COOPER: Which is a reserve and which can be transferred to surplus or applied in reduction of the deficit account, whichever you wish.

Mr. JACKMAN: Is that \$3,411,000 not represented by some item on the asset side? Does it not represent vessels in your \$5,500,000 which have been sunk, or something of that sort? Can you take the insurance and replacement reserve as an asset or to extinguish a deficit and still maintain your capital assets? If I give you credit for \$15,000,000 for assets surely the \$3,400,000 of insurance and replacement reserve must be among those assets some place, is it not?

Mr. HARRIS (*Grey-Bruce*): Are the assets all actual physical assets or do they include vessels sunk?

Mr. COOPER: The asset value shown in the accounts is the original cost of the vessels still in our ownership.

Mr. HARRIS (*Grey-Bruce*): Not sunk?

Mr. COOPER: No, vessels which have been lost have been written out.

Mr. HARRIS (*Grey-Bruce*): Is that not part of your question?

Mr. JACKMAN: It is a part, yes, but how did the insurance and replacement reserve arise?

Mr. COOPER: The insurance reserve arose out of the practice of charging to operating expenses insurance premiums in excess of the loss experienced, and the balance in the insurance reserve is nothing more or less than surplus on a winding up of the company.

Mr. GIBSON: You could dissipate that by losing a ship?

Mr. COOPER: I was speaking on the assumption we went out of business at the end of 1944.

Mr. GIBSON: So it is not really an actual asset?

Mr. COOPER: It was at December, 1944.

Mr. GIBSON: As of December, 1944, but to-morrow you might lose it. It could be wiped out quite easily.

Mr. VAUGHAN: A large part of that loss shown, of course, is represented by a charge of 5 per cent by the government on deficits that we think should never have been in there. We feel we should have been credited with the subsidies which the government would have had to pay had outside companies been operating the service.

Mr. HAZEN: Might I ask Mr. Vaughan another question? Do all the Lady boats sail from Halifax to the West Indies?

Mr. VAUGHAN: In normal times some of them came into Saint John and went around to Halifax. They sailed eventually from Halifax.

Mr. HAZEN: Were there complaints made by the board of trade or anybody in Saint John that some of the boats should sail from Saint John to the West Indies?

Mr. VAUGHAN: I do not recall now. It is quite possible there were representations made, but I do not recollect them at the present time.

Mr. HAZEN: Was there any complaint that manufacturers and shippers from Saint John had to ship all their stuff by rail around to Halifax before they could ship it?

Mr. VAUGHAN: I think there was something of that kind.

Mr. HAZEN: On the Lady boats to the West Indies, and that added greatly to the expense.

Mr. VAUGHAN: That was thoroughly explained at the time, and I think satisfactorily. Six years have elapsed now and I do not remember the recommendations which were made at the time.

Mr. JACKMAN: I think we are all right, Mr. Cooper, on it. I think I have got it through my head now. Your \$15,000,000 of assets are all real except for the depreciation account of \$2,700,000, and all liabilities above insurance and replacement reserve are liabilities to the public or the government which you owe to somebody?

Mr. COOPER: Yes.

Mr. JACKMAN: If you realize on your assets less depreciation reserve and pay off your liabilities you do not owe the insurance and replacement reserve to anyone but yourself and whatever is left over belongs in liquidation to the company, and whereas your books show a deficit of \$8,000,000 that \$3,411,000 is not owed to anybody but you see the deficit is reduced by that amount.

Mr. COOPER: You agree then that the deficit is really \$4,658,000?

Mr. JACKMAN: I think that is the true book value.

Mr. COOPER: Thank you, sir.

Mr. HAZEN: May I ask another question about the Lady boats? Was it not one of the complaints when the Lady boats came to Saint John and then went around to Halifax that merchants or manufacturers who would have preferred to ship from Saint John to save costs could not put their stuff on board the boats when they arrived in Saint John because when the boats got to Halifax the cold storage facilities were all turned off? As they were perishable goods they could not put them on in Saint John because the cold storage was turned off when they got to Halifax and they would be destroyed. So they had to ship them around by rail to Halifax.

Mr. VAUGHAN: I do not remember that being given as a reason.

Mr. REID: You have no vessels in British Columbia?

Mr. VAUGHAN: We just have coasting vessels.

Mr. JACKMAN: Are you going to open up the service on the Pacific coast again?

Mr. VAUGHAN: Pardon?

Mr. JACKMAN: Are you going to open up the service on the Pacific coast again?

Mr. VAUGHAN: We have always operated vessels from Vancouver to Prince Rupert and Alaska and we will continue to operate them.

Mr. JACKMAN: Are all these Prince ships gone now?

Mr. VAUGHAN: No. The large Prince boats, as you know, were requisitioned by the government and have been used as war vessels, the Prince Rupert, Prince Henry and Prince David. They will not be back again. One of our vessels was lost the other day but it will be replaced.

Mr. JACKMAN: Did you consider tendering on any of these corvettes or other possible cargo ships that the war assets disposal corporation have?

Mr. VAUGHAN: We have given some consideration to it but we came to the conclusion that the boats would not be suitable for our service and could not be economically operated by us.

Mr. HARKNESS: You say that the Prince David, Prince Rupert and these other ships will not be back. What is the reason for that? Did you not find it profitable to operate them there?

Mr. VAUGHAN: They have been made practically useless for passenger boats. There was so much work done on them to convert them to vessels of war. It would be too costly to reconvert them to passenger vessels.

Mr. GIBSON: Do you intend to replace the Prince George by building on the Pacific coast?

Mr. VAUGHAN: Yes, we do.

The CHAIRMAN: Is that all in connection with that? Can we go on to the Canadian National Railways Securities Trust.

Mr. HAZEN: Where is the financial statement about the boats on the Pacific coast? That does not come in under this?

Mr. VAUGHAN: No.

Mr. HAZEN: Where is that shown?

Mr. COOPER: In the railway accounts.

The CHAIRMAN: We will now take up the Canadian National Railways Securities Trust. The chairman is W. C. Clark, Deputy Minister of Finance. I am going to ask Mr. Vaughan to read this.

Mr. VAUGHAN: I think it would be better if you read it, Mr. Cooper.

Mr. JACKMAN: Mr. Chairman, may I ask first of all, not only for the sake of the old members who need brushing up on it, but for the sake of the new members on the committee, what is the purpose of this securities trust, how it arose, and something of the history of it?

Mr. COOPER: I think I can answer that, Mr. Jackman. I rather anticipated someone would ask the question, "What is the securities trust?" I think it is very helpful to an understanding of what the securities trust is if one has some understanding of the reasons for its creation.

When the companies now comprising the Canadian National Railways were under private ownership government cash assistance to them was in the form of interest bearing loans. The government was not then the shareholder and therefore required that its investment should have priority over the share capital. There were certain contingent interest securities held by the public which were entitled to interest only if earnings were available, and the assessment of interest charges on the government loans had the effect of deferring interest on such securities. The dominion loans and the interest thereon were also factors to be given weight in assessing the value of the Canadian Northern and Grand Trunk capital stocks the value of which was a matter for arbitration. Out of these conditions there grew up the practice of treating the dominion's investment as loan capital. The interest charge generally was 6 per cent.

After the government acquired control of the Canadian Northern and Grand Trunk systems it had the responsibility for financing their capital and operating requirements. Sometimes the requirements were met by cash loans but otherwise were met by the issue of railway securities carrying the government's guarantee. In 1932 attention was called to this in the report of the Royal Commission, which report stated: "Since the debt of the system in the hands of the public is now very large and more than the railway can carry from its earnings even under improved conditions, sums which are required to meet deficits should be voted by parliament annually and not raised by the issue of railway securities as has been done in recent years".

This recommendation of the Duff commission was accepted by the government and the Minister of Finance in his budget speech March 21, 1933, stated: "One of the recommendations of the Royal Commission on Railways and Transportation to which effect is being given in the legislation now before parliament is that sums which are required to meet deficits should be voted by parliament annually". For the year 1932 and subsequently any deficit from the operation of the railway has been met by a vote of parliament.

It became obvious that if it were improper in 1932 and subsequently to force the railway to borrow the money lost in operation then loans for that purpose in 1931 and prior also were improper and recognition of this view brought about the Capital Revision Act of 1937. One of the main purposes of that Act was to bring about the removal from the railway balance sheet of

all the outstanding loans for deficits and interest accruals. It was considered, however, that the outright cancellation by the government of its claims against the railway might have the effect of improving the position of certain unguaranteed securities and subsidiary company capital stocks held by the public. To prevent this the Securities Trust was created. The government transferred its claims to the Trust so that the railways remained obligated to the Trust in the same way and to the same extent they previously had been obligated to the government. The Securities Trust itself was declared to be a corporation comprised in the National Railways, so that the claims referred to took on the category of intersystem assets and liabilities and as such had to be eliminated from the system consolidated balance sheet. In so far as this phase was concerned the creation of the Securities Trust was a means whereby the debts were lifted from the railways collectively (as a system) but are perpetuated as against the railways individually.

The Capital Revision Act also provided that government loans to the railway for capital purposes and then outstanding should be treated as share capital rather than interest bearing debt. The amount of such loans, some \$270 millions, thus became represented by shares capital stock of the Securities Trust. From such cut-off date government advances to the railway for capital purposes and for debt redemption have all been treated as interest bearing advances.

The Capital Revision Act further provided that the five million no par value shares of the Securities Trust should be given an initial stated value of \$270 millions plus, and that such shares at such value together with the capital stock of the Canadian National Railway Company and the capital investment of the crown in the Canadian Government Railway should be included in the balance sheet of the National railway system under the heading of "Proprietor's Equity", which is analogous to the shareholders equity account as usually carried in ordinary corporate balance sheet statements. Provision was also made for adjustments to the initial value given to the shares and under this provision the book value of the shares is to be reduced by capital losses subsequent to the date the Act was made effective.

The trustees of the Securities Trust are: the Deputy Minister of Finance, the Deputy Minister of Justice, the Deputy Minister of Transport, and two of the executive officers of the railway. All the shares of the Trust are vested in the Minister of Finance in behalf of the dominion. At December 31, 1944 the shares are shown to have a book value of \$359 millions, or \$89 millions greater than when they were issued. The balance sheet of the Trust shows how this increase has been brought about, viz: surplus earnings, capital gains and capital losses.

Mr. JACKMAN: When you speak of the value being greater by \$89,000,000, I would take it that that means a minus quantity or worthlessness of \$89,000,000 greater; that is the net loss or net amount of money the government has to pump into the C.N.R. since 1932.

Mr. COOPER: Not at all, Mr. Jackman.

Mr. JACKMAN: Are any of these items in the Securities Trust of value to the Securities Trust, or are these just a measure of the deficit for bookkeeping purposes?

Mr. COOPER: The government is the shareholder of the Canadian National Railways and its position as such is reflected in the Proprietor's Equity account. On the railway balance sheet it is shown to be \$754,000,000. That is the book equity of the government in the Canadian National Railway System. It is divided into three sections: the value represented by the shares of the trust, \$359,000,000; the value of the capital stock of the Canadian National Railway Company, \$18,000,000; and the Crown's investment in the Canadian Government Railways, \$377,000,000. The value of the shares of the Securities there,

\$359,000,000 is \$89,000,000 greater than it was in 1937 when the shares were first issued.

Mr. JACKMAN: I realize that; but am I to understand what you say is that this amount set up, \$270,000,000, resulted from the debt structure of the railway transferred to—

Mr. COOPER: —to share capital. It was taken out of the category of debt and put on an equity basis.

Mr. JACKMAN: Is it fair to assume that after that time when it was set up there was no real value behind it, and that is why you wanted relief?

Mr. COOPER: I would not say that. The reason for the relief was the fixed charges of the railway were out of all reason. As to what the value of the Canadian National Railways is, of course, one could talk from now until doomsday.

Mr. JACKMAN: Well, while we are on this, the railway could not earn enough money to service the interest requirements on the bonds which were represented by these bonds; it was an intolerable load; is not that the story?

Mr. COOPER: That is so.

Mr. JACKMAN: And, in order to give you any kind of a hope at all of getting any decent statement \$270,000,000 was changed from a debt to the government to an investment by the government?

Mr. COOPER: Yes, that is perfectly correct, Mr. Jackman; except that I wish to make it clear, there never was any thought that that adjustment was a complete adjustment, it was only a partial adjustment.

Mr. JACKMAN: Well, I gather that it did not represent an accounting asset, no matter how much physical assets it represented. You then come to the present situation where you increase the \$270,000,000 of 1937 by \$89,000,000; so this becomes \$359,000,000. You said that represented the surplus earnings and losses and the capital additions, capital investments by the government since that time.

Mr. COOPER: Yes. When we come to the balance sheet of the trust, Mr. Jackman, it is in the report of the Securities Trust which we are about to take under consideration, you find—that on page 6, and on the asset side you find that the surplus earnings amount to \$87,745,000; capital gains amount to \$19,105,000; capital losses have been \$17,808,000; making a net gain of \$89,043,000. And if you look over on the other side you will see that while the original value of these shares at the time they were issued was stated to be \$270,000,000, by reason of these transactions which I have just mentioned it has now become \$359,000,000.

Mr. JACKMAN: That is quite different. It arises from different reasons than those from which the \$270,000,000 arose, from much more worthy reasons, if one may put it that way.

Mr. COOPER: Yes. I do not think there is any question that the book value of the shares, or the book value of the government's equity in the Canadian National Railways since the issue of these shares in 1937 has increased by \$89,000,000.

Mr. JACKMAN: Yes. Did you turn over to the government last year \$20,000,000?

Mr. COOPER: \$23,000,000, yes.

Mr. JACKMAN: So you are really using all this \$359,000,000, as proprietorship indebtedness—if we may call it that—increasing it by the \$23,000,000 last year?

Mr. COOPER: If you take the equity of the government as shown on the balance sheet, it is \$754,000,000—as against that investment we gave them a return in 1944 of \$23,000,000, and for 1945 we expect to give them a return

of \$25,000,000. That, of course, is in addition to paying the interest on all the debt held by the government.

Mr. JACKMAN: Yes.

The CHAIRMAN: Would it be all right if we started at the first of the report, gentlemen, and had it read from the start? We are jumping around here a little bit. Would it be helpful to have Mr. Cooper read Mr. Clark's report there to the commissioners, and then go on from there? Perhaps it might help to clarify some items.

Some Hon. MEMBERS: Agreed.

Mr. COOPER: The report is dated the 17th of March 1945, and is addressed to the then Minister of Transport.

THE CANADIAN NATIONAL RAILWAYS SECURITIES TRUST

OTTAWA, 17th March, 1945

The Honourable J. E. MICHAUD, K.C., M.P.,
Minister of Transport,
OTTAWA.

SIR,—In conformity with Section 23 of the Canadian National Railways Capital Revision Act, 1937, the Trustees submit the following report of the transactions of the Canadian National Railways Securities Trust for the calendar year 1944.

The book value of the capital stock of the Securities Trust has been increased during the year by \$22,400,052.60, as shown hereinunder:—

Surplus Earnings of the Canadian National Railway System for the year 1944.....	\$23,026,924.35
Abandonment of dock facilities at Seattle, Washington	626,871.75
Net Gain credited to Proprietor's Equity...	<u>\$22,400,052.60</u>

There were no transactions during the year affecting the collateral securities held by the Securities Trust:

The trustees present herewith the balance sheet of the Securities Trust as at 31st December, 1944.

For the Trustees,

W. C. CLARK,
Chairman.

BALANCE SHEET AT 31ST. DECEMBER, 1944.

ASSETS		LIABILITIES	
<i>Claims for Principal of Loans—</i>		<i>Capital Stock Owned by His Majesty—</i>	
Canadian Northern Railway.....	\$312,334,805.10	5,000,000 shares of no par value capital	
Grand Trunk Railway.....	118,582,182.33	stock:—Initial stated value.....	\$270,037,437.88
Grand Trunk Pacific Railway.....	116,006,599.08		
Canadian National Railway Company.....	96,936,971.75	Gain from transactions subsequent to	
	\$ 643,860,558.26	1st. January, 1937—per contra.....	89,043,077.43
<i>Claims for Interest on Loans—</i>			\$ 359,080,515.31
Canadian Northern Railway.....	\$309,702,897.65		
Grand Trunk Railway.....	103,250,802.95		
Grand Trunk Pacific Railway.....	107,326,622.84		
Canadian National Railway Company.....	54,501,313.57		
	574,781,637.01		
<i>Transactions subsequent to 1st. January, 1937, affecting the book value of the capital stock of the Securities Trust—</i>			
Canadian National Railway System:			
	Year 1944	Total to Date	
Surplus Earnings.....	\$23,026,924.35	\$	87,745,931.64
Capital Gains.....			19,105,651.38
Capital Losses.....	626,871.75		17,808,505.59
			89,043,077.43
<i>Collateral Securities—</i>			
As per Schedule A. 1.....			
			948,604,757.39
			\$1,307,685,272.70
		T. H. COOPER, <i>Comptroller.</i>	

CERTIFICATE OF AUDITORS

We have examined the books and records of The Canadian National Railways Securities Trust for the year ended the 31st. December, 1944.

There have been produced for our inspection the Notes and Other Evidences of Indebtedness, the Collateral Securities and the Certificate of the Special Depositary, as set out in Schedule A.1 attached hereto.

We certify that, in our opinion, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the accounts of the Trust as at the 31st. December, 1944, in accordance with the provisions of The Canadian National Railways Capital Revision Act, 1937.

GEORGE A. TOUCHE & CO.,
Chartered Accountants.

15th March, 1945.

THE CANADIAN NATIONAL RAILWAYS SECURITIES TRUST
SUMMARY OF INDEBTEDNESS TRANSFERRED FROM THE GOVERNMENT TO THE SECURITIES TRUST

*Notes and Collateral Held

Loans Outstanding

CANADIAN NORTHERN RAILWAY:

3½% Loan, Chapter 6, 1911.....	\$ 2,396,099.68
4% Loan, Chapter 20, 1914.....	5,294,000.02
5% Loan, Chapter 4, 1915.....	10,000,000.00
6% Loan, Chapter 29, 1916.....	15,000,000.00
Temporary Loan, 1918, repaid.....	
†6% Loan, Chapter 24, 1917.....	25,000,000.00
†6% Loan, Vote 110, 1918.....	25,000,000.00
†6% Loan, Vote 108, 1919.....	35,000,000.00
†6% Loan, Vote 127, 1920.....	48,611,077.00
†6% Loan, Vote 128, 1921.....	44,419,806.42
†6% Loan, Vote 136, 1922.....	42,800,000.00
6% Loan, War Measures Act, 1918.....	1,887,821.16
†6% Equipment Loan, Chapter 38, 1918.....	56,926,000.82
Indebtedness refunded by Government under Chapter 24, 1917 and Chapter 11, 1918.....	
†Mortgage covering loans above.....	

Total Canadian Northern.....\$ 312,334,805.10

GRAND TRUNK RAILWAY:

6% Loan, Vote 478, 1920.....	\$ 25,000,000.00
6% Loan, Vote 126, 1921.....	55,293,435.18
6% Loan, Vote 137, 1922.....	23,288,747.15
4% Loan to G.T. Pacific Chapter 23, 1913, guaranteed by Grand Trunk.....	15,000,000.00

Temporary Loans, repaid through subsequent issues of
guaranteed securities and loans.....

Total Grand Trunk.....\$ 118,582,182.33

GRAND TRUNK PACIFIC RAILWAY:

3% Bonds, Chapter 24, 1913.....	\$ 33,048,000.00
6% Loan, Chapter 4, 1915.....	6,000,000.00
6% Loan, Vote 441, 1916.....	7,081,783.45
6% Loan, Vote 444, 1917.....	5,038,053.72
6% Loan, Vote 110, 1918.....	7,471,399.93
Receiver's Advances, P.C. 635, March 26, 1919.....	45,764,162.35
Interest Guaranteed by Dominion.....	8,704,662.65
Interest Guaranteed by Provinces of Alberta and Saskat- chewan.....	2,898,536.98
Agreement with Government under Chapter 71, 1903.....	
Total Grand Trunk Pacific.....	\$ 116,006,599.08

None. Charge is on premises mortgaged October 4, 1911.

None.

None.

Mortgages dated June 23 and June 26, 1916.

6% Demand Notes.....	\$ 497,566.80
6% Demand Notes.....	33,012,414.32
6% Demand Notes.....	27,203,003.65
6% Demand Notes.....	40,031,122.27
6% Demand Notes.....	53,008,779.65
6% Demand Notes.....	50,259,312.47
6% Demand Notes.....	46,691,634.60
6% Demand Notes.....	5,700,000.00
{6% Demand Notes.....	7,139,399.00
{3½% and 4½% Debenture Stocks.....	56,858,496.44
6% Demand Notes.....	
{Miscellaneous Bonds and Debentures.....	14,744,817.25
{Miscellaneous Bonds and Debentures.....	20,721,191.12
Mortgage dated November 16, 1917.....	

6% Demand Notes.....	\$ 25,479,226.97
6% Demand Notes.....	56,646,816.12
6% Demand Note.....	23,288,747.15
{4% Demand Note.....	15,000,000.00
{4% G.T.P. Debentures.....	15,000,000.00

{4% Debenture Stock.....	60,801,700.00
{6% 2nd. Mortgage Equipment Bonds.....	1,693,113.33

3% 1st. Mortgage Bonds.....	\$ 33,048,000.00
4% Sterling Bonds.....	7,499,952.00
Mortgage, June 28, 1916.....	
Mortgage, October 18, 1917.....	
Mortgage, October 18, 1917.....	
Receiver's Certificates.....	53,339,162.74
Cremation Certificates, coupons destroyed.....	8,698,170.

Cremation Certificates, coupons destroyed.....	2,925,723.88
Grand Trunk Pacific Development Company Capital Stock.....	2,999,000.00

forward

THE CANADIAN NATIONAL RAILWAYS SECURITIES TRUST

SUMMARY OF INDEBTEDNESS TRANSFERRED FROM THE GOVERNMENT TO THE SECURITIES TRUST

Loans Outstanding

CANADIAN NATIONAL RAILWAY COMPANY:

6% Loan, Vote 139, 1923.....\$ 24,550,000.00

5% Loan, Vote 137, 1924..... 10,000,000.00

5% Loan, Vote 377, 1925..... 10,000,000.00

5% Loan, Vote 372, 1926..... 10,000,000.00

5% Loan, Vote 336, 1929..... 2,932,652.91

5% and 5¼% Loans, Chapter 22, 1931..... 29,910,400.85

5¼% Loans, Chapter 6, 1932..... 11,210,815.56

Temporary Loan 1930, repaid.....

Less: adjustment authorized by the Capital Revision Act,
1937..... 1,616,857.57

Total Canadian National Railway Company.....\$ 96,936,971.75

Total Loans.....\$ 643,860,558.26

*Notes and Collateral Held

{ 6% Canadian Northern Demand Note.....\$ 12,655,019.57
{ G.T.P. Receiver's Certificates..... 3,313,530.01
{ G.T.P. Interest Coupons..... 1,530,831.96

{ 5% Canadian Northern Demand Note..... 1,318,315.86
{ G.T.P. Receiver's Certificates..... 4,691,173.58
{ G.T.P. Interest Coupons..... 1,530,822.24

{ 5% Canadian Northern Demand Note..... 9,496,718.21
{ G.T.P. Receiver's Certificates—Cr..... 1,422,425.17
{ G.T.P. Interest Coupons..... 8081,530.02.

{ 5% Canadian Northern Demand Note..... 9,062,624.30
{ G.T.P. Receiver's Certificates—Cr..... 364,898.78
{ G.T.P. Interest Coupons..... 1,530,880.56

5% Canadian National Railway Company Demand Note.... 2,932,652.91

5% and 5¼% Canadian National Railway Company Demand
Notes..... 29,910,400.85

5¼% Canadian National Railway Company Demand Notes. 11,210,815.56

{ 166,877 6376 shares of Capital Stock of Grand Trunk Western
Railroad..... 4,171,940.94

{ 5% 1st. and General Mortgage Temporary Gold Bonds of
Central Vermont Railway, Inc..... 8,609,000.00

* The Notes and Other Evidences of Indebtedness and the Collateral Securities are all held for safekeeping in the vaults of the Department of Finance, Ottawa, excepting Grand Trunk Pacific Railway 3% 1st. Mortgage Bonds in the amount of £5,307,000 (\$25,792,020) which are held for safekeeping by the Bank of Montreal, London, England, as evidenced by the certificate of that depositary.

Mr. COOPER (continues): We have gone over the balance sheet of the Securities Trust. It indicates how the initial value given to the shares at the time of their issuance has been increased by \$89,000,000, and the details of that are given on the opposite side. Then you have a list of the securities which are held by the trustees under the terms of the trusteeship contained in the Capital Revision Act.

Mr. JACKMAN: Just for clarification, the only changes which took place in the proprietors account not reflected in the Securities Trust are operating profits or losses of the railway from year to year, and any advances by parliament of monies for capital purposes, they are represented by the issue of indebtedness certificates or bonds by the railway to the government; is that so?

Mr. COOPER: Well, as to the second item to which you refer, that is government advances for capital purposes, they have no bearing on the Securities Trust.

Mr. JACKMAN: None at all?

Mr. COOPER: They are directly from the government to the railway and are dealt with in the regular accounts.

Mr. JACKMAN: And the government gets back from the railway a bond or certificate of some sort covering the advances; in other words, with respect to this Securities Trust the only changes from year to year as the result of operating surpluses or losses of the railway?

Mr. COOPER: And in addition capital losses or capital gains; as for instance, when we vested British securities we made a capital gain of some \$19,000,000. That was not taken up as an earning in our railway statement, it was treated as a capital gain added to the book value of the shares of the trust.

Mr. REID: Mr. Cooper, there are one or two questions I would like to ask. May I speak and put my question as a layman, because I may as well confess that I am not at all expert in fiscal matters.

Mr. COOPER: Well, Mr. Reid, I am just a layman myself.

Mr. REID: These figures are confusing to an ordinary layman and there is one thing I would like to get clear in my mind, that is the total indebtedness from its inception to the present time of the Canadian National Railways and also the extent to which, if any, that total indebtedness has been reduced—I understand it has been reduced?

Mr. COOPER: Yes.

Mr. REID: What I want to get clear is what is the amount of the outstanding indebtedness of all kinds, what does the railway owe. If I were able to get that in my mind I would probably have a more clear picture of the whole set up.

Mr. COOPER: The amount which the railway owed the government in 1944 is shown in the balance sheet, the figure is \$661,875,000.

Mr. REID: That is the complete debt?

Mr. COOPER: Yes, sir.

Mr. REID: Has it ever been reduced?

Mr. COOPER: It was reduced by the Capital Revision Act.

Mr. REID: I meant all the debt to the government and the public; I want to know the total debt, the total indebtedness of the railway.

Mr. COOPER: If you are speaking of the long term debt apart from current liabilities, the debt of the railway to the public is \$629,453,000, and the debt of the railway to the government is \$661,875,000.

Mr. MAYBANK: That is after cutting off \$270,000,000 which was taken over by the trust?

Mr. COOPER: Which was removed from debt account to equity account, and which is still in our balance sheet.

Mr. HARRIS (*Grey-Bruce*): It also eliminates these items on page 6, the securities and the loans to constituent railways.

Mr. COOPER: Pardon me, sir; what was that?

Mr. HARRIS (*Grey-Bruce*): This item of \$642,000,000—was that figure included in the amount you gave to Mr. Reid in the answer you made?

Mr. COOPER: Mr. Reid asked as to the present debt position, but an amount was absorbed as the result of the Capital Revision Act.

Mr. HARRIS (*Grey-Bruce*): I think he was trying to find out, from the very beginning, the amount of money that was advanced for one cause or another by the Dominion of Canada to these various constituent companies.

Mr. COOPER: That is quite an involved question. May I refer you to the note which appears on the balance sheet which reads this way:—

NOTE—The Proprietor's Equity is included in the net debt of Canada and is disclosed in the historical record of Government assistance to railways as shown in the Public Accounts of Canada in accordance with The Canadian National Railways Capital Revision Act, 1937.

The Act required that there be attached as an appendix to public accounts a complete record of all assistance granted by the dominion to the railways in Canada—the Canadian National Railways, the Canadian Pacific Railway, and any other railways that there are; and the complete picture insofar as the Canadian National is concerned, is to be found in that appendix.

Mr. HAZEN: What appendix is that?

Mr. COOPER: In the appendix to the public accounts.

Mr. HAZEN: In what year?

Mr. COOPER: Every year.

Mr. JACKMAN: Included as the net debt of the country or subtracted?

Mr. COOPER: I think it is all charged to net debt, but I had better not speak about public accounts. My understanding is it has been charged off to net debt.

Mr. JACKMAN: The net debt of the country is so many billions—

Mr. COOPER: I think the public accounts are quite clear as to the correct position.

Mr. JACKMAN: What is the meaning of this?

Mr. COOPER: The meaning of this is, Mr. Jackman, that during the passage of the Capital Revision Act the suggestion was made that this write-down if it were effected would result in a loss of the record of assistance by the government to the railways, so to prevent that the Act provided that every year the public accounts of Canada shall disclose the complete historical record of all the assistance given by the government to the railways of Canada.

Mr. HAZEN: Might I ask a question? The capital stock of Canadian National Steamships in the report is \$40,000. And now, I turn to page 22 of the annual report of the Canadian National Railways and I see that under the heading of companies comprising the Canadian National Railway System, there is one, number 16, Canadian National Steamship Company, Limited—capital issued \$15,000; and then I look on down to number 47 and I see that one is owned by The Grand Trunk Pacific Railway Company.

Mr. COOPER: You are speaking of two different things.

Mr. HAZEN: That is what I wanted to get cleared up.

Mr. COOPER: The capital stock of the Canadian National (West Indies) Steamship Company, \$40,000 is all owned by the Dominion of Canada, it is not owned by the Canadian National Railway Company. The capital stock of the Canadian National Steamships, which is our Pacific coast steamship service, is owned by the Grand Trunk Pacific Railway Company.

Mr. HAZEN: That refers to specific lines?

Mr. COOPER: Yes, sir.

The CHAIRMAN: Is that clear, gentlemen? I think the next item we have on the agenda here is—

Mr. MAYBANK: I would move the adoption of the report; I figure you will need that.

The CHAIRMAN: Yes. Does anyone care to second that motion?

Mr. BEAUDOIN: I will be pleased to second that motion.

Mr. VAUGHAN: Mr. Jackman, we have that statement in depreciation that you asked for; shall we just put it on the record now?

Mr. JACKMAN: I think so, it will be useful to the members of the committee.

Mr. VAUGHAN: All right, we will do that.

(See Appendix D)

Mr. JACKMAN: I see, Mr. Chairman, some of the members are still discussing this statement about Securities Trust. It seems to be rather dense still. I think we should at least feel that we know all about it. There is nothing wrong with the statement made to-day, but it is chiefly due to the lack of background, most of us have not had sufficient time to give to it. Is there anything else in the way of explanation that you would like to make in regard to these items? The officers of the company are all here now. Are there any items about which you would like to raise questions; have there been any changes in interest rates; has the Department of Finance given you any opportunity to refinance?

Mr. COOPER: As far as the collateral securities are concerned there is no interest accruing on them. They are merely held as collateral. The only transactions affecting them are where we require their release to permit cancellation of mortgages securing bonds which mature and are retired. We have to meet the trustees and explain the reasons why in our opinion we think they should release these securities, and they have the power under the Act to release them for good cause. That is the only change which takes place in respect to the collateral securities.

Mr. JACKMAN: Well, I appreciate the reason for the write-down in 1937, it is there for reference. What is the use of keeping these underlying securities outstanding on the balance sheet of the railway?

Mr. COOPER: So long as there are railway securities outstanding, and, of course, we have over \$600,000,000 of them, cancellation of all these collateral securities might have the result of improving the priority of some of the securities held by the public, so they are held really to preserve the position of the government in that regard.

Mr. JACKMAN: All the old bonds of the railways which you took over are still outstanding in the hands of the public do not bear the government guarantee and the government wants to keep its prior position on certain of these issues?

Mr. COOPER: That is it.

Mr. MAYBANK: If we were to burn all of these up to-morrow these other bonds would undoubtedly immediately appreciate many points, those in the hands of private holders, and there would be unearned increment by reason of that position; is that right? Is that the thought at any rate?

Mr. COOPER: Yes.

Mr. HARKNESS: Are the bonds held by the public worth anything at the present time?

Mr. VAUGHAN: Definitely.

Mr. COOPER: Those bonds are not held by the public, they are held by the Minister of Finance as collateral, or by the trustees; they are not in the hands of the public at all.

Mr. JACKMAN: I mean the unguaranteed bonds.

Mr. COOPER: The unguaranteed bonds in the hands of the public? Definitely, many of them are very much in excess of par.

Mr. JACKMAN: Perhaps if you could tell us in a very general way, in round figures, how this bonded debt and the securities held by the government come to this \$270,000,000—some of that will be guaranteed.

Mr. COOPER: Yes. From our statement on page 19 of the railway report you will get a breakdown of that, Mr. Jackman. We list there all the funded debt held by the public. The total is \$629,000,000. Of that \$576,000,000 is guaranteed by the dominion. \$2,700,000 is guaranteed by the provinces, and so on.

Mr. JACKMAN: Where is the debt of the railway that is not guaranteed by any government?

Mr. COOPER: It is on the next page, \$33,279,000.

Mr. JACKMAN: Once that has matured then you should be able to ask the securities trust to cancel all these underlying bonds because all existing bonds will be guaranteed by the government, will they not?

Mr. COOPER: Unfortunately you notice some of them are perpetual. There are four issues there which are perpetual.

Mr. JACKMAN: That is a long time, is it not?

Mr. REID: What is the idea of that antiquated word "gold bond"?

Mr. COOPER: It was at one time thought to have a value.

Mr. JACKMAN: These perpetual issues are not very large. \$4,000,000 is the largest one. Do you want to get them in? It is largely from the standpoint of appearance. It does make the whole statement cumbersome. Are you trying to buy them in at all?

Mr. COOPER: No.

Mr. JACKMAN: What are these 4 per cent perpetual consolidated debenture stocks of the Canadian Northern, 1903 to 1912 issue, of which there are \$4,131,000 outstanding? Do you know what rate they bear on the market? They are selling over par, I suppose?

Mr. COOPER: I do not know the price but it would be at a premium, I am sure.

Mr. JACKMAN: Can you not buy in a perpetual bond at a lesser cost to the company than you can borrow new money?

Mr. COOPER: From time to time we seize any opportunity in that direction. For instance, I might mention the third item from the bottom, indebtedness of the S.S. and C. Company, \$155,865.25. They carry a 4 per cent interest rate. Now, you did not notice perhaps that in the budget which you passed yesterday we are asking authority under our 1945 budget to buy those bonds in.

Mr. MAYBANK: They are callable?

Mr. COOPER: We have the option to call them in.

Mr. MAYBANK: That is the meaning of the word "optional" here?

Mr. COOPER: Yes, and we are going to call them in. We are going to call in any bond which we can discharge if it is carrying a coupon rate in excess of 3 per cent if we have the right to do so. In fact, some of the 3 per cent coupon bonds have been called in. Wherever there is an advantage to the railway by negotiation or any other way to get these interest charges of ours down I think we can assure the committee that nobody is more alive to that necessity than the railway officers are.

Mr. JACKMAN: Is it not a fact that a 4 per cent perpetual bond even of a government or a railway will sell on a slightly higher basis yield than one with a long maturity? People do long to have some certainty and a perpetual bond, if I recall correctly, does yield a little bit more.

Mr. COOPER: I think that is proven by the government 3 per cent perpetu-als. I think they have a little higher yield than the bonds which have a maturity date.

Mr. JACKMAN: If it were known in the street that you were going to buy them in of course they would go up to the same price as a long term government bond or a long term C. N. R. guaranteed bond, but if you pick them up gradually I suppose you might get rid of them at some saving to the company? Four per cent is a high rate for a railway to pay at the present time.

Mr. COOPER: This is a personal opinion. The U.K. government under war measures issued a vesting order taking from all U.K. residents any securities which the government wished to possess. If Canada did the same thing of course these securities could be vested.

Mr. JACKMAN: I am not suggesting that be done. I am just wondering if you cannot buy them in at a lesser rate than money would cost you?

Mr. VAUGHAN: We watch that very carefully and when the opportunity presents itself we seize it if we can buy them in and be money ahead as against issuing new securities.

Mr. JACKMAN: What I am asking is are you whittling away at it a little bit each year?

Mr. VAUGHAN: Yes, we are. We are doing our very best to get our fixed charges down in every possible way.

Mr. REID: I have two questions I should like to ask Mr. Cooper. On page 21 of the report I find that it is kind of intriguing to me. I notice investments in affiliated companies. If you look at the first column the heading is "Total Par Value Outstanding". Then the next heading is "Par Value" and then "Book Value". My first question is whether the total par value is the amount of money invested by the C. N. R. in the affiliated companies. My second question is whether this is the par value and the book value of these investments now because if it is some of them are very startling. I only see one of them where the par value remains the same as the investment value. My last question is do you receive any interest from these investments?

Mr. COOPER: In the last few years where the book value, which is the cost value to us, exceeded the par value we have written down our book value so that it would not exceed the par value.

Mr. REID: What does the first column mean, "Total Par Value Outstanding?" Take the first item.

Mr. COOPER: Taking the Belt Railway Company of Chicago they have \$3,120,000 of stock outstanding. Canadian National owns \$240,000 out of the total. We own 1/13th, as I remember it, in that joint facility.

Mr. REID: That explains it. Do you get any interest from your investment in these companies?

Mr. COOPER: On the Belt Railway Company of Chicago in 1944 we had a dividend of 16.67 per cent.

Mr. JACKMAN: I wonder what Mr. Nicholson thinks of that.

The CHAIRMAN: Can we take up the auditor's report now?

Mr. HAZEN: May I ask one more question? In reply to a question asked by Mr. Reid you said that the total indebtedness of the railway to the government was \$661,875,000. In the statement of the securities trust on the last page the total loans, or summary of indebtedness, transferred from the government to the securities trust was \$643,000,000.

Mr. HARRIS (*Grey-Bruce*): That is shown at the top of page 6.

Mr. HAZEN: Where is the difference? There is \$18,000,000 difference. What connection is there between those two amounts?

Mr. COOPER: The \$661,000,000 is what we owe today. The \$643,000,000 is the amount which was written down as a result of the Capital Revision Act.

Mr. MAYBANK: They are not related?

Mr. COOPER: They are not related at all.

The CHAIRMAN: Perhaps we had better take up the auditor's report now. Mr. Matthews, as the representative of Touche & Company, would you read your report?

Mr. MATTHEWS: Mr. Chairman, may I just mention to the members of the committee that like the railway report this was written on the 15th of March, 1945, and its comments in respect of wartime conditions would have to be considered in that light.

The Honourable the Minister of Transport,
Ottawa, Canada.

SIR,—Acting under authority of The Canadian National-Canadian Pacific Act, 1936, and Chapter 8, 1944, "An Act respecting the appointment of Auditors for National Railways", we have audited the accounts of the Canadian National Railway System for the year ended the 31st December, 1944, and we now submit, through you, our report to parliament.

Supplementing our audit certificate appended to the accounts published by the railway, we comment on the consolidated income account, consolidated balance sheet, general scope of audit and uniform accounting regulations as follows.

What we are discussing here are certain sections of the Canadian National Railway report which you have in your hands.

Mr. JACKMAN: Do you want interruptions as we go along or at the end?

The CHAIRMAN: Perhaps we had better wait until afterwards and then go back, start at the beginning and have questions on it.

Mr. MATTHEWS:

Consolidated Income Account

The cash surplus of the National System amounting to some 23 million dollars for the year 1944 is after making provision for the general expenses of operation—including the retroactive wage rate increases, cost-of-living bonus and higher unit prices of materials—together with:—

- (a) Interest on Funded Debt held by the Public;
- (b) Premium on Funded Debt Retired;
- (c) Interest on Loans from the Dominion Government;
- (d) General Taxes;

- (e) Deferred Maintenance as a result of war-time conditions—in respect of Fixed Properties and Equipment;
- (f) Railway's portion of Pension Payments to retired employees—under all pension plans;
- (g) Increase in Pension Contract Reserve—covering the railway's portion of the estimated capital amount of all pension contracts in force at the year end under the 1935 plan;—
- (h) Increase in Pension Equalization Suspense—covering railway employees in service at the year end beyond retirement age and entitled to pension contracts under the 1935 plan;
- (i) Increase in Reserve for Material and Supplies Inventories—arising out of war-time conditions;
- (j) Depreciation of Equipment—Canadian Lines—including special provision for abnormal war-time use;—
- (k) Depreciation of Equipment and Fixed Properties (excluding track structure)—United States Lines;
- (l) Fixed Property Retirements—Canadian Lines—excluding capital loss from abandonments charged to Proprietor's Equity.
- (m) Fixed Property Retirements—United States Lines track structure;
- (n) Amortization of certain defence projects considered as having no potential economic value in post-war operations, and
- (o) Amortization of Discount on Funded Debt.

The total of provisions (a) to (o) made during the year exceeded 103 million dollars of which some 36½ millions have been credited directly to corporate Reserves. Of this latter amount some 20½ million dollars represent special war-time provisions for deferred maintenance, material and supplies inventories, depreciation of equipment in excess of normal rates in order to provide for extra use and amortization of defence projects.

The term "cash surplus" used in the Consolidated Income Account represents the "surplus earnings" as distinguished from the capital gains and capital losses shown in the Dominion of Canada—Proprietor's Equity Account. The surplus funds made available during the year in an amount exceeding 28 million dollars through the foregoing provisions (h) to (o), in lieu of their investment for the specific purposes named, have been utilized mainly in reduction of the total cash requirements for capital additions and betterments, investments in affiliated companies, sinking funds and serial debt payments, the balance being utilized for working capital purposes.

In respect of depreciable fixed properties—defined in the 1943 Order of the Interstate Commerce Commission as including buildings, stations, shops, bridges, etc., but excluding track structure—depreciation provision has been made during the year for the United States Lines in accordance with the 1943 Order but not for the Canadian Lines which continue on the retirement basis. Insofar as the Canadian Lines are concerned, it would not appear practicable to institute any similar depreciation plan, until after the termination of hostilities, because of the substantial expense involved in determining unit property costs prior to 1923 and the need for all of the technical personnel of the Railway in meeting the transportation requirements arising out of the present national emergency. The post-war adoption of depreciation accounting for major units of fixed properties on the Canadian Lines is embodied in the recommendations made later in this report, under the caption "Uniform Accounting Regulations."

In the matter of current maintenance policy we have received certificates from the responsible officers to the effect that, subject to the war-time conditions which necessitated the provision for deferred maintenance, the fixed properties

and equipment of the National system have been maintained in a proper state of repair and in an efficient operating condition during the year.

The cash surplus for the year shows a decrease of some 12½ million dollars in comparison with 1943. The major portion of this decrease is accounted for by the retroactive wage rate increases, additional cost-of-living bonus and higher unit prices of materials, approximating 30 million dollars during 1944—less the non-recurring "Revenue Appropriated for Pension Reserve" which in 1943 amounted to some 19 million dollars. The balance of the decrease in cash surplus is attributable mainly to more maintenance work, larger provision covering reserve for inventories and lower net profits from separately operated properties as a whole—less special income credits and reduced costs of taxes, equipment rentals and interest in 1944.

Looking forward to the post-war period, the impact of the accumulated war-time increases in wage rates and material prices on the operating results from prospective revenues at that time is a matter to which we commend the consideration of parliament. We would also make mention of the disproportionate amount of fixed charges borne by the National system in comparison with other major railways in North America.

Consolidated Balance Sheet

Investments in Fixed Properties and Equipment appearing in the books of the constituent companies at the 1st January, 1923, were accepted by us. Against the corporate property investments brought into the National system accounts in 1923, there have been applied the reductions authorized by The Canadian National Railways Capital Revision Act, 1937. Since the 1st January, 1923, the net additions and betterments have been shown on the basis of cost. During the year 1944 the net additions and betterments approximated 35½ million dollars, the major portion of which applied to the acquisition of rolling stock.

The several special funds of the National system including sinking funds, deposits in lieu of mortgaged property sold, deferred maintenance fund, insurance fund and pension contract fund, amounting in total to some 77 million dollars, are composed of cash and investments in the securities of dominion, provincial and municipal governments and in the securities of companies within the National system. The year-end value of the securities held in these special funds in total exceeded the book figure.

The insurance fund increased approximately ½ million dollars during the year with no major loss claims being reported outstanding at the date of the balance sheet. This increase in the fund results mainly from the adjustment of the book value of system securities sold during the year from par to cost, the operating profits of the fund being transferred to the Railway's Cash and Income Accounts.

Investments in Affiliated Companies, as detailed in the relative schedule, are represented by the capital stocks, bonds and obligations for advances of companies affiliated with but not forming a part of the National System. This type of investment is made primarily to secure the benefits of traffic interchange and terminal facilities. The basis of the balance sheet figure is cost or, in respect of certain United States securities, less than the special valuations approved by the Interstate Commerce Commission. Apart from the Trans-Canada Air Lines dealt with later in this report, the 1944 financial statements issued by the companies representing the larger investments indicate:—

- (a) That the affiliates have utilized the funds from the sale of their securities up to the 31st December, 1944, for investment in fixed properties and equipment;
- (b) That no operating losses of importance were sustained during the year 1944 excepting in the case of the Northern Alberta Railways Company, 50 per cent of which loss has been taken up as an income charge by the National System, and

- (c) That no corporate deficits have been accumulated up to the 31st December, 1944. This indicated position, however, should be considered in conjunction with the restrictive accounting policies relating to accrued depreciation of fixed properties.

During the year investments in affiliated companies increased in an amount somewhat exceeding $1\frac{3}{4}$ million dollars, principally with respect to the purchase of additional bonds of the Northern Alberta Railways Company in order to finance 50 per cent of that company's requirements for maturing Funded Debt and Capital Additions and Betterments in 1944.

Other investments are comprised largely of securities of the dominion government, valued at cost, and those of companies within the National System, valued at par, in the total amount of some $1\frac{1}{2}$ million dollars, the balance being represented by investments of a miscellaneous character.

Material and supplies are shown on the basis of ledger balances. Owing to war-time demands upon the railway personnel the customary physical inventory was not taken in 1944.

Other deferred assets are composed mainly of contracts receivable in connection with the sale of land in Western Canada.

Other unadjusted debits consist of the unamortized cost of opening ballast pits which is to be written off on the basis of yardage used; the estimated salvage value of non-perishable material in ballast pits and other temporary tracks; general suspense debits covering the contra accrual of operating revenues and income, and other debit items that cannot be entirely disposed of until additional information is received.

Long term debt does not include securities held in the Treasury of the railway nor those held as collateral by The Canadian National Railways Securities Trust and the dominion government.

The combined capital debt to the public, special funds and the Dominion of Canada was reduced by the net amount of approximately 7 million dollars during the year. Broadly speaking, this net reduction results from the loan repayments to the government of some $25\frac{1}{2}$ million dollars out of working capital created by cash surpluses, plus serial debt payments approximating $8\frac{3}{4}$ million dollars, less some $27\frac{1}{4}$ million dollars representing the balance of new capital requirements for additions and betterments.

Accrued Depreciation—Canadian Lines—applies only to equipment and dates from the 1st. January, 1940, retirement accounting continuing in effect for fixed properties. In respect of equipment, it should be pointed out that as no depreciation accruals were made prior to 1940, the present reserve would be liable to serious impairment from abnormal losses which would have to be accounted for if and when abnormal retirements were found necessary, because of exhausted service life and obsolescence, under any major post-war program for the modernization of the rolling stock of the National system similar in scope to that presently contemplated by other large railways in North America. We recommend to parliament that the railway be furnished with whatever authority may be deemed necessary to establish a special depreciation reserve to provide, at least in part, for this anticipated post-war situation. It should be made clear, however, that the creation of such a reserve would be an accounting provision only, involving in itself no cash outlay, because all expenditures as and when proposed to be made by the Railway on the purchase of new Equipment in the post-war period would form part of its capital budget subject to the annual approval and vote of parliament at that time.

Accrued Depreciation—United States Lines—applies to equipment from a date prior to the 1st January, 1923, and to Fixed Properties (excluding track structure) mainly from the 1st January, 1943.

The corporate reserves for pension contracts, insurance, depreciation, deferred maintenance, material and supplies inventories, and amortization of certain defence projects aggregate some 160 million dollars, of which some 71½ million dollars are represented by specific funds. Furthermore, of the aforementioned 160 million dollars some 66½ million dollars represent the accumulated total from 1941 of special war-time provisions for depreciation of equipment in excess of normal rates in order to provide for extra use, deferred maintenance, material and supplies inventories and amortization of defence projects.

Other deferred liabilities are comprised principally of the outstanding capital amounts of the workmen's compensation awards by the provinces of Ontario and Quebec, and the balance of the obligation to the State of Michigan in respect of the wider Woodward Avenue extension in Detroit.

Other unadjusted credits are made up of the Canadian Lines' estimated proportion of prepaid revenues on freight in transit; general suspense credits covering the contra accrual of operating expenses and income charges, and other credit items that cannot be entirely disposed of until additional information is received.

Dominion of Canada—Proprietor's Equity—is set forth in the Balance Sheet and the relative schedule in accordance with section 2 (f) of the Canadian National Railways Capital Revision Act, 1937, which defines the composition of the account, and section 12 of the Canadian National-Canadian Pacific Act, 1936, which provides for the appropriation by Parliament for Income Deficits in any year in which they occur. The Surplus Earnings of some 87¾ Million Dollars, as shown in the aforementioned schedule, are for the years 1941 to 1944 inclusive. The attention of Parliament is drawn to the fact that the total book value shown for Proprietor's Equity is subject to the factors referred to in our comments on Investments in Fixed Properties and Equipment, Accrued Depreciation and Pension Plans.

Major Contingent Liabilities are outlined in the relative schedule. (That is at page 21). In respect of Pension Plans referred to therein, we would point out that:—

- (a) Under the 1935 Contractual Plan a reserve is set up against the estimated capital value of contracts in force but not against pensions conditionally accruing. The contributions by employers presently in service are invested through the separately administered Pension Trust Fund, the accounts of which are not included with those of the Railway.
- (b) Under prior Non-Contractual Plans no reserve is set up against the capital value of pensions now being paid or conditionally accruing.

The accounts of the National System are stated in Canadian currency converted mainly at the par of exchange.

General Scope of Audit

The general scope of the test audit of the National System accounts for the year 1944 may be outlined briefly as follows:—

- (a) Examination of major expenditure authorities which are based mainly upon recorded Resolutions of the Directors. These expenditure authorities in turn are established principally by Corporate By-Laws, Orders-in-Council and Acts of Parliament;
- (b) Audit tests in the offices of Regions, Separately Operated Properties and System Headquarters, covering a cross-section of the major expenditures so authorized;

- (c) Examination into the adequacy of the internal audit control in general as exercised by the accounting staff of the System. In this connection we work in collaboration with the executive accounting officers at Headquarters having as a common objective the securing of maximum internal protection to the System in the control of Cash Receipts and Expenditures, Securities Held, Material Stores, Accounts Receivable, etc., and
- (d) Audit and certification of the Consolidated Income Account and Consolidated Balance Sheet for presentation to Parliament, which Body is thus placed in possession of facts upon which conclusions can be reached as to the stewardship of the duly appointed administrators of the System.

The audit covers the various Balance Sheet units in Canada, the United States and Great Britain with Income Accounts originating in the Revenue Offices, Regions, Separately Operated Properties and System Headquarters applicable to some 90 companies comprising the National System as an operating entity.

Apart from those pertaining to the Canadian Government Merchant Marine Limited and the Trans-Canada Air Lines, the holdings in the Capital Stocks of the Affiliated Companies, as set out in the relative schedule, are insufficient to give voting control and accordingly the Companies are not treated as units of the National System nor are their accounts audited by us. In a few instances their accounts are certified by Public Accountants but for the most part they are audited, in due course, by joint committee composed of National System accountants and representatives of outside interests.

Uniform Accounting Regulations

Having in mind the conflicting elements in the railway situation in Canada and the widespread publicity given to the matter from time to time in the decade preceding the present war, we are persuaded that the uniform presentation of the published accounts of the two major Canadian railways will be of far-reaching importance in the post-war years to the Government and people of Canada as the shareholders of the National System. Accordingly, we deal briefly with the matter to which we have made reference for several years.

Viewed strictly from an operation standpoint, the published accounts of the two railways have not been subject to proper comparison because of:—

- (a) Difference in the accounting bases as between Operating, Income, Surplus and Reserve Accounts and as between the "Consolidated" and "Parent Company" presentation, and
- (b) Disparity in traffic density over the peace-time years, due largely to the difference in purposes of original construction and extension of a considerable portion of the two properties.

We therefore recommend to Parliament the establishment, as early as practicable in the post-war period, of uniform accounting regulations for Canadian railways under the statutory authority of the Dominion.

The recommendation is primarily that, after providing for any special requirements inherent in the ancillary operations of Canadian railways, these regulations governing the published accounts should follow the broad bases of the Interstate Commerce Commission classification for the United States railways in respect of the accounting allocations to Total Operating Revenues, Total Operating Expenses (suggested to include Depreciation of all Equipment and the larger units only of Depreciable Fixed Properties), Net Income, Surplus

and the General Balance Sheet Accounts including specific provisions covering the utilization of Reserves. Whilst the adoption of the broad bases of the Interstate Commerce Commission classification is recommended because of international operations, it is in regard to the voluminous details involved in some of the orders affecting the railways of the United States that we see the desirability of the proposed Canadian regulations different in policy by simplifying the methods of accounting distribution at the source and by the avoidance of a certain amount of clerical expense.

It is further recommended that the regulations require the published Income Accounts to show the two principal traffic density factors of freight tonnage and passenger volume per mile of road operated.

The main advantage arising from the adoption of the proposed regulations would be the making available to the Government and people of Canada, particularly during periods of public discussion, an improved yardstick with which to measure the relative operating performances (apart from Fixed Charges) of the two major railways, thus eliminating the misconceptions arising through the endeavour to compare published results which have not been computed on the same basis.

May I just make this comment to the members of the committee: on this particular matter we would like to be clearly understood that we are not in any way criticizing the accounting procedure of any other railway, but having regard to the public discussions of this so-called railway problem back over many years, we feel and have felt for a good number of years that a uniform presentation of railway results would be in the interest of the people of Canada whom we represent, namely through parliament.

CANADIAN NATIONAL RAILWAYS SECURITIES TRUST

Supplementing our audit certificate appended to the accounts published by the Securities Trust, we comment of the balance sheet as follows:—

The Canadian National Railways Securities Trust, under authority of Section 22 of the Capital Revision Act, 1937, has been treated as a constituent unit of the National System. There is, however, a provision in Section 23 of the Act requiring presentation to Parliament annually of a Trustees' Report and a separate Balance Sheet for the Securities Trust. It is further provided that the Trustees' Report is to set forth the transactions of the Securities Trust during each year, which comprise the net change in the book value of its Capital Stock originating in the accounts of the Railway and, subject to the approval of the Governor in Council, the release (if any) of Indebtedness or Collateral Securities belonging to the Trust.

I think if I may, just at this point, in view of the discussion that has already taken place in regard to the Securities Trust and the Capital Revision Act of which this is a part, point out that there is one very important thing which should be mentioned to the members of this committee; namely, the basic reason for the capital revision and the consequent creation of the Securities Trust. Fundamentally the purpose behind the Capital Revision Act had to do with the credit of this country. For some years prior to that time there was a misconception which arose as to what Canada's debt position really was and it got to a serious point in New York and London I believe at that time Canada's net debt was in the neighbourhood of three billion dollars and duplications had reached the proportion of 50 per cent of that net debt. It had been considered that in view of the problem of the railways, which was real enough in itself, there was little good common sense in perpetuating a condition which added to that problem. And I might say this,

that at the time the bill was up for consideration and during the presentation by the then Minister of Transport of the reasons behind the measure contemplated, the matter of debt duplication was brought out; and at the same time during the passage of the bill through the Senate committee the matter was again considered; and at that time the New York bankers for Canada were up here to deal with a loan for the Dominion; the matter was discussed with them and the minister of that time and the Bankers stated very definitely that the potential interest rate on Canadian borrowings might very well be affected by the debt duplication. I would just like to have that put on the record for the information of the committee, because there might be a tendency to look at this Securities Trust in some way as a devious means to complicate the accounts of the National railway. There was no such intention on anybody's part, but it was one of those necessary things to preserve the equity of the dominion government in respect of these unguaranteed securities that were outstanding at that time. Furthermore, I would just like to mention one other thing, that it was made clear at that time that this capital revision did not in any way affect the debt to the public, and it was clearly set out by the minister in his statement to the Commons' committee that even if the bill were enacted the interest burden of the national railways would still remain very much higher than that of other railways in Canada and in the United States.

Mr. HAZEN: Where do we find the statement which you just referred, the one made by the then minister to the committee? Can you tell us where we can find that?

Mr. MATTHEWS: Yes. As a matter of fact, there was considerable interest in the whole matter at the time, and I have here one of the copies of the statement which the minister had prepared and submitted to the committee giving the basic reasons for the bill and full details of the Act itself. Several hundred copies of it were printed at that time.

Mr. HAZEN: What is it entitled?

Mr. MATTHEWS: It is entitled, "Capital Revision Act 1937,—explanation of the provisions of same."

Hon. Mr. CHEVRIER: I will see that members of the committee are supplied with copies of that.

The CHAIRMAN: And now, gentlemen, we will have to skip Trans-Canada Air Lines until a later date.

Mr. MATTHEWS: We cannot deal with that anyway because the accounts have not been submitted to the committee as yet. What about Canadian National (West Indies) Steamships Limited?

The CHAIRMAN: That is all right.

CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS, LIMITED

The accounts of the Canadian National (West Indies) Steamships, Limited and subsidiary companies are not consolidated with those of the national system, the 100% stock ownership of the parent steamship company being vested in the Dominion government.

Supplementing our audit certificate appended to the accounts published by the Steamships, we comment on the consolidated income account and consolidated balance sheet as follows:—

Consolidated Income Account

The Surplus for the year 1944 amounting to some \$1,271,000 is after making provision for the general expenses of operation and:—

(a) Interest on Funded Debt held by the Public;

- (b) Interest on Loans from the Dominion Government;
- (c) Depreciation of Vessels;
- (d) General taxes, and
- (e) Pension Payments to the Canadian National Railway Company as Pension Contract Underwriter.

The total of provisions (a) to (e) approximates \$899,000.

The Surplus for the year shows an increase of some \$832,000 as compared with 1943. In the main, this increase in the Surplus arises from additional Charter and Management Fees, improved ratio of direct Operating Costs to Revenues and reductions in the charges for Pensions and Interest in 1944.

Consolidated Balance Sheet

Investments in Vessels and other properties are carried on the basis of cost. During the year these Investments were reduced by approximately \$216,000 as a result of Vessel losses covered by insurance.

Of the total Insurance and Replacement Fund, some \$1,154,000 applies to Insurance and \$6,113,000 to Replacement. The Fund as a whole is composed of cash, unsettled claims against Underwriters and investments in the securities of Dominion, Provincial and Municipal Governments. The year-end market value of the securities exceeded the book figure. The Insurance portion of the Fund increased approximately \$140,000 during the year with no major loss claims payable being reported outstanding at the date of the Balance Sheet. The Replacement portion of the Fund is maintained for the purpose of providing either for vessel replacement or redemption of the outstanding Bonds at their maturity.

Funded Debt remained unchanged in 1944.

The total Capital and Interest Indebtedness to the Dominion of Canada was reduced by approximately \$1,819,000 during the year as a result of the payments to the Government out of the working capital created by Cash Surpluses.

Of the total Insurance and Replacement Reserve, some \$1,154,000 applies to Insurance and \$2,257,000 to Replacement. For all practical purposes the Replacement portion of the Reserve may be regarded as representing appropriations from Profit and Loss Account in respect of Capital Gains and Operating Profits of the Replacement Fund.

With reference to the Contingent Liability for Pensions, we would point out that a Reserve has been provided through the C.N.R. as Pension Contract Underwriter against the estimated capital value of contracts in force under the 1935 Plan but not against pensions conditionally accruing. The contributions by the Steamships employees presently in service are invested through the separately administered Pension Trust Fund under the same Plan.

The accounts of the Canadian National (West Indies) Steamships, Limited are stated in Canadian currency converted mainly at the par of exchange.

We have received the customary certificates from the responsible officers of the Steamships relating to current maintenance and physical retirements of Capital Assets.

In respect of the Steamships the test audit for the year 1944 was similar in scope to that of the National System previously outlined in this report.

Yours faithfully,

GEORGE A. TOUCHE & CO.

Mr. MAYBANK: I would move the adoption of the report with the exception of the T.C.A. part which has yet to be passed.

Mr. HAZEN: You made a number of recommendations in this report, would you mind pointing out where they may be found so we will have them before us? How many of them are there?

Mr. NICHOLSON: There is the matter of the fixed charges, page 2.

Mr. HAZEN: What is the first one?

Mr. MATTHEWS: The first one has to do with depreciation on fixed properties. That is on page 2. Then, in the last paragraph on that page under the heading, Consolidated Income Account, we have called the attention of parliament to the effect of wage rates, material prices and fixed charges.

Mr. HAZEN: There is one on page 3, Accrued Depreciation?

Mr. MATTHEWS: That is right, that is on page 3, the third from the last paragraph.

Mr. HAZEN: That is the second one, isn't it?

Mr. MATTHEWS: And the uniform accounting regulations.

Mr. HAZEN: There are three recommendations at the moment?

Mr. MATTHEWS: Yes.

Mr. HAZEN: Have you a list of the vessels and their value making up that total of \$5,589,000? Could you give us the value of each vessel?

Mr. MATTHEWS: The railways could supply you with that, yes. I haven't got it.

Mr. VAUGHAN: That statement is as follows:—

CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS LIMITED

Cost of Vessels owned at December 31st, 1944:—

<i>Lady Nelson</i>	\$1,685,730 12
<i>Lady Rodney</i>	1,784,672 30
<i>Cathcart</i>	394,872 48
<i>Cavelier</i>	435,770 36
<i>Connector</i>	286,759 85
<i>Chomedy</i>	500,739 02
<i>Colborne</i>	500,724 02
	<hr/>
	\$5,589,268 15

Mr. JACKMAN: The department cash surplus, that is synonymous with net profit, isn't it?

Mr. MATTHEWS: Yes.

Mr. JACKMAN: Why do you not put it that way then?

Mr. MATTHEWS: Because it goes back to the original government practice in 1932, when the total deficit was divided as between such items as depreciation and other non-cash items; then about 1935 or 1936 in order that the Canadian National Railway results would be complete, so that there would be no division between cash surplus and non-cash surplus, the account was put on the basic assumption that if the railway had a deficit it would not make any difference how the charges originated, whether they were depreciation or other bookkeeping items, the proposed deficit would be voted by the government as such and the monies used like in depreciation in reduction of the requirements for capital purposes. It was adopted about 8 or 10 years ago in order to eliminate any question of what the complete income result was and the term "cash surplus" has been carried forward simply arising out of that practice; that is why we make mention of the matter in the report, because we know that in commercial practice the term is not ordinarily used.

Mr. JACKMAN: Then, referring to the consolidated income account, can you tell me this; does the railway pay any income tax to the provincial governments?

Mr. MATTHEWS: The matter of income tax is one that has been determined by the government. We would not have any comments. There are no Dominion income taxes in Canada being paid by the Canadian National Railways.

Mr. JACKMAN: Even if they made money, would it be taxable by the provinces; I mean, in the same way as other corporations have to pay income taxes?

Mr. MATTHEWS: I do not think we could enter into any discussion on hypotheses like that.

Mr. JACKMAN: Then, (g), the figures under the pension fund as a reserve; do you consider the plan to be actuarially sound, and similar to other commercial practice in this country or the United States?

Mr. MATTHEWS: I do not think that you could compare it with the United States, because they have an entirely different set up over there. But so far as the capital value of the pension contracts issued are concerned, the capital value is determined on what we consider to be a sound actuarial basis having regard to the potential earning power of money, life expectancy, etc.; and the matter is referred from time to time to the dominion department having some knowledge of these matters.

Mr. JACKMAN: There is no question about these contracts which are issued and in force, but in view of the accruing liabilities as employees retire—they are O.K.?

Mr. MATTHEWS: Yes.

Mr. JACKMAN: And there is a liability, although not an immediate one, relative to these employees who will reach the retirement age of 65?

Mr. MATTHEWS: Yes.

Mr. JACKMAN: Do you feel as an auditor you should draw special attention to that?

Mr. MATTHEWS: We point that out to you. We can not do more than that.

Mr. JACKMAN: I appreciate what you are saying, why you do point it out; could we do anything about it in order to have a complete picture of the accounts?

Mr. MATTHEWS: No. Quite frankly our feeling on the matter is that so long as the parliament of Canada have knowledge of the fact; that with the development of the pension plan of the Canadian National Railways, the way that the 1935 contractual plan is gradually absorbing more pensioners each year—we would not ourselves sponsor at this time any recommendation for the capitalization of a so-called pensions accruing. There are many reasons for that. One of them is that they are entirely conditional. It would be very difficult to form any actuarial opinion—in fact I do not see how any actuarial basis could be attempted, because not only is the matter of life expectancy involved in pensions, but the matter of employment.

Mr. JACKMAN: Yes; but, Mr. Matthews, if you were taking over a company with a lot of old employees and one of the conditions of the purchase of the assets was that you maintain these people and continue the company's practice of granting pensions at the age of 65 years, certainly you would have a very great monetary liability there which would affect the position of the company.

Mr. MATTHEWS: Mr. Jackman, you are saying that we recommend to parliament...; I am just saying that the Canadian National Railways having regard to all the facts and for all practical purposes the Canadian National Railways contractual pension plan over a period of years is going to be fairly

representative; and while it is quite true as we point out that accruing pensions and these pensions being paid under non-contractual plans,—there is no capital liability set up, that is perfectly true; but when one looks ahead a bit and visualizes the pension situation ten years from now we feel that each year the situation will come closer to righting itself. It would be a tremendous problem to attempt any capitalization of accruing pensions, either under the 1935 plan, or to attempt to capitalize other plans. It would be much easier to estimate the capital value of pensions being already paid under the non-contractual plans; but, with respect to the capitalization of pensions accruing, subject to the conditions that are laid down in the pensions regulations, I see no means by which you could arrive at an actuarial basis because employment is involved.

Mr. MAYBANK: Is it not a fact that the determination of the actuarial soundness of any pension plan is a separate study of itself?

Mr. MATTHEWS: Yes, and the actual value of the pension contract presently outstanding is an actuarial study.

Mr. MAYBANK: And auditors are not actuaries?

Mr. MATTHEWS: No, auditors are not actuaries.

Mr. MAYBANK: No.

Mr. MATTHEWS: But Mr. Jackman is raising a point that has to do with the pensions that are accruing out of the 1935 plan, and also pensions that are presently being paid under the non-contractual plans, and what is the capitalizable value of these things.

Mr. MAYBANK: Yes.

Mr. MATTHEWS: My answer is that our view is that the Canadian National Railways contractual plan if given time will meet all reasonable requirements.

Mr. JACKMAN: I would like to be assured of this; is the C.N.R. doing as much in the way of setting up a fund for this contingent liability as are comparable companies in the railway field in Canada or the United States? You said it was difficult to make any exact comparison. But let me point this out, that some of the companies, particularly the smaller ones, do not have pension plans, if an employee gets old they take care of him, give him so much money, whereas the large companies endeavour, particularly in good years when they have sufficient surplus to enable them to do so, to set up a pension fund.

Mr. MATTHEWS: That is right.

Mr. JACKMAN: But there is that difference, some of them set up their funds through insurance companies while others have pension funds of their own, and I want to know whether this large company—this is one of the largest in the country—is doing as much in the way of taking care of that liability as other companies.

Mr. MATTHEWS: I think the present position of the Canadian National Railways pension reserve is far in excess of what the majority of large companies either in Canada or the United States are doing. I should like to see the balance sheets of many large companies which have capitalized their pension liabilities to any greater extent than the Canadian National Railways.

Mr. JACKMAN: Of course, you have got two classifications. You have got one classification which is actuarially sound and you have got the other classification which is not in the same category.

Mr. MATTHEWS: That is quite true, but I still say from a comparative industrial point of view I think the Canadian National Railways are on a very sound basis.

Mr. JACKMAN: What do the American railways do?

Mr. MATTHEWS: In the United States the situation is entirely different. These things are operated under the auspices of the government.

Mr. JACKMAN: If they adopted uniform accounting particularly following the I.C.C. classification would it make a difference with regard to this?

Mr. MATTHEWS: The American railroads are not setting up capitalized liabilities to compare with the Canadian National on these contracts.

Mr. MAYBANK: What about the C.P.R.?

Mr. MATTHEWS: I think the C.P.R. have an entirely different set-up. We are not really familiar enough with the C.P.R. They have their own pension plan, but I would say that the liability set-up of the Canadian National Railways will compare very favorably with many large corporations of which I have any knowledge.

The CHAIRMAN: Gentlemen, Mr. Maybank has moved the adoption of the report.

Mr. REID: I have got two questions I should like to ask.

Mr. MAYBANK: I have moved the adoption of the report in order that questions might come in on the motion. That is all. I was not trying to hurry it up.

Mr. JACKMAN: I asked expressly whether you wished interruptions as we went along or whether I should wait until afterwards.

The CHAIRMAN: It is one o'clock. I will tell you what we have left. There are three estimates and this auditor's report. You have further questions to ask on it. I think there was some objection to meeting at 4 o'clock depending upon the T.C.A. bill being brought up in the House. Can we arrive at a time that would be suitable? (Discussion *re* adjournment).

Hon. Mr. CHEVRIER: Why do we not do it this way: adjourn 4 o'clock and see what happens in the House from 3 to 4? If there is a discussion perhaps we can adjourn from 4 to 8. Is that agreeable?

(Carried)

The CHAIRMAN: There is one other matter, gentlemen. I must advise the head of the T.C.A. when his officials are to come down here. With the approval of the committee may I say Tuesday?

Mr. HARKNESS: I do not think you can because we do not know how long this bill is going to take.

Hon. Mr. CHEVRIER: You can decide on that this afternoon.

The Committee adjourned at 1.10 p.m. to meet again under the arrangements as outlined above.

AFTERNOON SESSION

The committee resumed at 4.00 p.m. Mr. R. Maybank, Vice Chairman, presided.

The VICE CHAIRMAN: Mr. Clark had to go away and as vice chairman I have got to sit in his chair. Before adjournment we were taking up the auditor's report and had begun the questioning of Mr. Matthews on it. Shall we continue from there? I think you were asking a question at that time, were you not, Mr. Jackman?

Mr. REID: Are we taking this page by page?

The VICE CHAIRMAN: We have made no decision on that, Mr. Reid. I would thin that probably it would be better to start at the front and go through to the back.

Mr. REID: If you do that it keeps the argument more in sequence.

The VICE CHAIRMAN: Are there any questions or observations on this report?

Mr. JACKMAN: What were we at, Mr. Matthews? Had we finished the last question?

Mr. MATTHEWS: I believe we were talking about pensions.

Mr. JACKMAN: I think we finished that. On item (L), Fixed Property Retirements, I suppose we did see how much that was in the annual report although I cannot recall it to mind at the moment. About how much would that be as compared with previous years?

Mr. MATTHEWS: That would be about \$1,650,000, roughly.

Mr. JACKMAN: Owing to the necessity of using all available equipment is that sum very much less than in a normal pre-war year?

Mr. MATTHEWS: During wartime naturally retirements of property would be on a lesser scale when the need is great.

Mr. JACKMAN: That is what I am suggesting.

Mr. MATTHEWS: Quite right.

Mr. JACKMAN: You retired \$1,650,000 last year. What is it for a normal pre-war year in the way of retirements?

Mr. MATTHEWS: On all fixed properties?

Mr. JACKMAN: The \$1,650,000 applied to all fixed property?

Mr. MATTHEWS: No. I might say, Mr. Jackman, that is Canadian lines principally, because in the United States beginning with 1943, as we have pointed out, depreciation accounting was put into effect for fixed properties whereas on the Canadian lines they are still continuing to operate on the basis of retirements.

Mr. JACKMAN: The question is that \$1,650,000 was the amount of fixed property retirements last year. How does that compare with a normal year?

Mr. MATTHEWS: I will be subject to Mr. Walton's opinion in the matter but my own view would be looking back over the years that during wartime it would naturally follow retirements would be less because of the fact you are not retiring property; you are using property beyond the point you ordinarily would use it.

Mr. JACKMAN: That is what I have been suggesting for the last two minutes, but I want to know how much?

Mr. MATTHEWS: How much what?

Mr. JACKMAN: What difference is there as compared with the \$1,650,000?

Mr. MATTHEWS: I suggest you might ask Mr. Walton that question.

Mr. VAUGHAN: What was the question?

The VICE CHAIRMAN: Retirements in the years before the war as against this last year on fixed property.

Mr. COOPER: I do not have the figure in front of me.

Mr. JACKMAN: I only want to know approximately.

Mr. COOPER: Last year the amount of property replaced, was in the neighborhood of \$12,000,000, and I would imagine that was substantially in line with normal retirements.

Mr. JACKMAN: What was the figure of \$1,650,000 that Mr. Matthews gave me for the last year?

Mr. MATTHEWS: This is the charge on the Canadian lines that is in lieu of what would be charged if there was depreciation accounting. It is excluding

track structure. That is entirely excluding track structure because you see the retirement of fixed properties, even with the Interstate Commerce Commission, excludes track structure. There is no depreciation, and those undertakings where track is relaid are handled directly through the primary operating expense accounts. That, Mr. Jackman, would be something that would have to be taken out of the individual primary accounts. What we are referring to here in this figure I have given you is retirements apart from track structure.

Mr. JACKMAN: Item (L) in your definition section under Consolidated Income Account is fixed property retirements. All I am asking is was the amount last year in view of war conditions very much less, and how much less than in a normal year?

Mr. MATTHEWS: In 1943 my recollection is that the comparable figure would not be very much different.

Mr. JACKMAN: I presume these fixed property retirements are treated as an operating charge last year?

Mr. MATTHEWS: That is right.

Mr. JACKMAN: One presumes they are less last year because you could not replace them. You kept them going. How much was it last year? One figure given to me is \$1,650,000. What is the right figure, and how does the figure compare with a normal pre-war year?

Mr. MATTHEWS: I could not answer you that because I would have to go back. A comparable figure could be secured for previous years if you want it.

Mr. JACKMAN: It obviously must be less because you are building up a special reserve of money that you cannot spend at the present time to take care of it.

Mr. MATTHEWS: That has nothing to do with the reserve for depreciation.

Mr. JACKMAN: Deferred maintenance though; you have got two or three reserves set up.

Mr. MATTHEWS: Deferred maintenance, that is quite true. The deferred maintenance account has to be taken into account in that respect, but I think we have to start with the fact that the track structure portion of fixed properties even in the United States are not subject to depreciation and they are not considered as retirements in that sense. They are charged as repairs through the primary accounts of maintenance of way and structure. It is a difference in term. This has to do with buildings and so forth on the Canadian lines principally.

Mr. JACKMAN: I only asked a simple question. I only want two figures given to me, those of now and then.

Mr. MATTHEWS: As I say if you want figures for previous years I have not got them but I can get them for you.

Mr. REID: There is a difference between depreciable fixed properties and the retirement basis comparing it with the United States Interstate Commerce Commission way of doing business. Is that not more important than what you have given the committee a moment ago because I notice that you recommend for the consideration of the committee that until the war is over we should not attempt to copy the order of the Interstate Commerce Commission in regard to buildings, stations, shops, and bridges?

Mr. MATTHEWS: Right.

Mr. REID: At the present time on the Canadian side we have them designated on the balance sheet on a retirement basis?

Mr. MATTHEWS: That is right.

Mr. REID: Whereas in the United States they are different?

Mr. MATTHEWS: They have been on the depreciation basis since 1943.

Mr. REID: What would be the real difference in the balance sheet if we were on the same basis as the Interstate Commerce Commission?

Mr. MATTHEWS: You would be setting up an annual charge for depreciation and a credit reserve for depreciation for fixed properties in Canada the same as they are in the United States.

Mr. JACKMAN: If Mr. Reid will read the memorandum that Mr. Cooper prepared he will see the difference in these two systems:

Mr. REID: Being a layman I want it in short terms, as few words as possible. I can read it but I want it in terms that I, at least, can understand.

Mr. MATTHEWS: Even there, as you will notice, track structure is not included as part of depreciation. That is handled on a repair basis and not as a depreciable item.

Mr. JACKMAN: Perhaps Mr. Cooper could answer a question for me. Nothing hangs on it very much. Fixed property retirements are charged to operations during the year; is that right?

Mr. COOPER: Yes.

Mr. JACKMAN: What I am asking is, was the amount charged to operations on that account last year very much less than what it would be in a normal year because of the exigencies of war?

Mr. COOPER: Somewhat less, Mr. Jackman, because under war conditions any property which could be kept in service was kept in service.

Mr. JACKMAN: I understand the philosophy but what are the amounts?

Mr. COOPER: The only way of answering that would be to produce figures for five or six years which we can do, and that will disclose readily the amount set aside in 1944 as compared with the preceding five or six years, but generally under war conditions there has not been the same retirement of property which there would be if labour and material had been available for replacement purposes. As to the amount, we cannot give you the figure off hand but we could have a statement made very quickly. We can give it to the reporter and have it put in the record.

Mr. JACKMAN: If I did not have the utmost confidence in the management I might think that it might be you only wrote off \$5,000,000 charged to operations last year whereas ordinarily you have perhaps \$25,000,000. I do not suspect. I just want to know. That is all.

Mr. COOPER: It is unfortunate in a way that the statement which was handed in about depreciation was not read because one paragraph says this:—

Attention is directed to the provision made in the accounts since 1940, in amount of \$34,000,000, for maintenance of fixed property and equipment which has had to be deferred due to the difficulties in obtaining labour and material. This sum includes provision for the loss chargeable to operating expense for fixed property the normal retirement of which may have been deferred under war conditions.

Mr. JACKMAN: In other words, you have stated the accounts as conservatively as you can. You have stated your cash surplus as conservatively as you can.

Mr. COOPER: Yes.

Mr. JACKMAN: I think that is a very good paragraph.

Mr. VAUGHAN: We will file that statement for you, Mr. Jackman.

Mr. JACKMAN: All right, Mr. Vaughan.

Mr. HARKNESS: What does this last item mean, amortization of discount?

Mr. MATTHEWS: That is where issues have been made by the railway where the proceeds have been less than par and the amount of the discount is spread over the lifetime of the security and each year that amount is taken up in the income account so that on the maturity of the bond the discount is wiped out.

The VICE CHAIRMAN: Are there any further questions on that?

Mr. JACKMAN: Reading that further where you talk about depreciation of fixed property and subsequently make a recommendation about the I.C.C. what would you recommend in regard to the depreciation on hotels which I understand do not come into the American railroad system?

Mr. MATTHEWS: As far as we are concerned we favor at this stage the adoption of depreciation for large units of fixed properties which would include hotels.

Mr. JACKMAN: You believe in a unit depreciation policy?

Mr. MATTHEWS: Yes, and particularly if the experience of the United States lines is satisfactory. Of course, we have to remember that it only started with them in 1943. We have reason to believe that income tax factors may have influenced their thinking, because I well remember back in 1928 when the original order number 15,100 was passed the railways of the United States took strong exception to the adoption of depreciation for fixed properties. But as of the first of January 1943, the inter-state commerce commission instituted depreciation accounts for fixed properties excluding track structure. As far as the Canadian National in Canada is concerned we think that the inter-state commerce commission has gone to some extreme in carrying out the provisions of depreciation on fixed properties, carrying it down to units that are relatively small; and therefore, that is for the Canadian National, we would prefer to see that limited to large structures such as terminals, hotels and very large bridges, and that kind of thing. That would not require too much clerical expense. There is a point to which if this is carried it over-balances the good. After all, the principal purpose in depreciation at any time is to avoid unusually heavy charges to any one year's operations; and, if on a system the size of the National railways the depreciation on fixed property is limited to large structures we feel that that broad purpose could be achieved. However, there is some difference of opinion, as always, in these matters. That is our opinion.

Mr. JACKMAN: You believe it should be depreciated on large structures only?

Mr. MATTHEWS: Well, Mr. Jackman, we say in view of the fact that depreciation accounting has finally been adopted by the United States lines that we think that consideration should be given to it for the Canadian National Railways.

Mr. JACKMAN: Turning now to that paragraph on page 2 which you read, which says:

Looking forward to the post-war period, the impact of the accumulated war-time increases in wage rates and material prices on the operating results from prospective revenues at that time is a matter to which we commend the consideration of Parliament.

You also make mention of this question about fixed charges borne by the national system in comparison to other major railways in North America. I do not know (I am expressing my own opinion) but that seems to me to be a rather unusual paragraph to find in an auditor's report. I should think that some managers might take exception to opinions like that being voiced by auditors, unless the opinions happen to be in agreement with those of the management. What are you going to say to the committee about that? What consideration do you think this committee should give to it?

Mr. MATTHEWS: First of all, on the point as to the function of the auditors in calling attention to a matter of that kind, it would not ordinarily be done; but the position of the auditors of the Canadian National Railways is not exactly the same as the position would be with the ordinary commercial company. Let me just remind you, Mr. Jackman, of what the terms of the Canadian National-Canadian Pacific Act are insofar as they relate to the auditors. One of the provisions in the Canadian National-Canadian Pacific Act is this, it says: "their annual report shall call attention to any matters which in their opinion require consideration or remedial action." Now, that is a pretty broad instruction to give to the auditors; and we feel that with the revenues at the level at which they have been in recent years and the developing satisfactory results that have been obtained that we should not miss the opportunity to just make mention in our report to parliament from our point of view. The legislation says that the auditors are to do that. Now, it is our view that because of the higher revenues of the war period, we do not want to leave any impressions so far as our reports are concerned that there are not heavy costs in there that may stick with us after the war, and if revenues should recede to any such levels as we had in the past years—it is just a point of comment in passing.

Mr. JACKMAN: May I say at once that I am very glad to get the terms of reference which the auditors hold, and our own terms of reference admittedly call upon us to examine all matters and to report from time to time the committee's observations and opinions thereon. That is why I bring up the subject now. That is why I asked at previous sittings whether the management had in view applications for higher passenger or freight rates. I understand that up to the present time there have been no such applications put in. But the auditors apparently feel that costs have gone up for the railway both with respect to wages and materials, and that with some diminution in the volume of traffic which we expect in peace time it may be that the management would find difficult going unless they got some relief by way of increased rates.

Mr. VAUGHAN: I think I mentioned that in some of my earlier remarks. I said we had not prepared any case for submission to the board of transport, but that if the present level of expenditures are maintained and traffic declines it is likely that we would need some relief.

Mr. JACKMAN: Mr. Chairman, we as a committee have to put in a report to parliament, and we have to submit that report in writing. Do you want us as a committee to put something in with regard to raising rates?

The VICE CHAIRMAN: Mr. Jackman, I am only here chairwarming; but I suppose a matter of that sort a little later on would come into the hands of the usual small drafting committee, and then they would bring their draft into the larger committee for consideration; and while you were speaking, and because of what you were saying, it did occur to me that they would have to take that into consideration all right. That is the way my mind was functioning while I was listening to you. I felt that that was natural, that that should be done.

Mr. JACKMAN: The last sentence in that same paragraph in the auditors' report says this. "We would also make mention of the disproportionate amount of fixed charges borne by the National system in comparison with other major railways in North America."

The VICE CHAIRMAN: That is right.

Mr. JACKMAN: Anyway, to make any intelligent observation to parliament in the discharge of our responsibility—it either is ours or it is not ours—we would be called upon to make a thorough examination of these matters; or, are we to deal with it in a merely perfunctory manner? I do not wish to

labour the point unduly, but it seems to me to be really our function, or something should be done about changing the responsibility of this committee. We just cannot grasp this tremendous system in a very short time, especially as intelligently as we should, and we need all the help we can get from the president. It may come about that there will be a squeeze there between the old road structure and the new costs and there won't be anything left at all, we will be faced with a deficit again; and they have that under consideration and we as a committee should have it under consideration. Some of us do not know much about it. What are we to do?

The VICE CHAIRMAN: Don't you think it is fair to remember this, that the railroad officials cannot make government policy, and they have got to be in their reporting and in all their statements guided to adopt what might be termed the attitude of factual reporting. I do not think you can expect them to do more than call to the attention of the committee any difficulties that they have. Then, of course, the committee can recommend something in reference to government policy. But I think you would be putting them in a rather invidious position asking them to go too far into policy making.

Hon. Mr. CHEVRIER: Perhaps I should say this at this juncture, that the railway officials have made representation to the minister on more than one occasion in connection with a reduction of fixed charges. The matter is receiving consideration, and I am not in a position to say now what may be done in connection with it; but I can say it is being studied.

Mr. JACKMAN: That is very interesting; representations have been made to you; of course, the committee do not count.

Hon. Mr. CHEVRIER: You are saying that the representations are made first to the minister, I think they should be made to the minister; and I presume that that is how it is brought about in the auditors' report. You certainly would not suggest, I take it, representations being made other than to the minister first. I think the minister should be aware of what the railway has in mind with reference to the reduction of fixed charges.

Mr. JACKMAN: I think he should be too; but it seems to me, as the auditor points out to us, that the system should be put in a more relative position to other comparable railways and we have not got very much information on it; and yet certain statements or suggestions have been made to you as to the reasons why there should be a reduction, but we have not heard very much about them at this particular session of the committee anyway; and if it is going to be taken up with you, and it has been, and the matter is brought to our attention by the auditors—perhaps not in the report itself—then I think we should give some examination to it if we are to be a real committee; otherwise we will not know just what we are doing here.

Mr. HARRIS (*Grey-Bruce*): May I ask, Mr. Chairman, whether this point is brought up for the first time this year, or whether it has been brought up in previous years; and, if so, what was done about it.

Hon. Mr. CHEVRIER: I do not remember it last year; I was not a member of the committee so I do not know, but I understand that this did come up before.

The VICE CHAIRMAN: The matter has been up several times; I think it has been up in nearly every committee. It has always been pointed out and observed that this railroad is under this disability now being referred to.

Mr. HARRIS (*Grey-Bruce*): I think there are about 11,000,000 people in the Dominion of Canada who hold that view.

The VICE CHAIRMAN: That is right. The question is one which has been before this committee on several occasions, and I understand that it has been before the government at all times.

Mr. VAUGHAN: In the preliminary remarks I made I filed a statement showing our fixed charges in comparison with other railroads, and it seems to me it might be helpful if this committee cared to go on record recommending that our fixed charges be brought more in line with our earning power.

Mr. JACKMAN: Provided we have some reason for forming a like opinion.

Mr. VAUGHAN: I think that statement I filed would be a very good reason for considering the matter.

Mr. HAZEN: The statement you filed is an appendix. Does that show the names of all the first-class railways in the United States?

Mr. VAUGHAN: It shows the names of the principal railways, those which are comparable with the Canadian National Railways.

Mr. HAZEN: What I had in mind was I thought there might be other United States first-class railways with higher fixed charges than those you referred to.

Mr. VAUGHAN: The average in there is the average of the class one railroads in the United States.

Mr. HAZEN: You gave us the average. I was thinking that there might be first-class railways other than the ones you show. You refer to several railways in that appendix. There are other first-class railways in the United States.

Mr. VAUGHAN: We picked out the largest railways which would be comparable with ours, and I am quite satisfied there is not a single railroad in the United States which has fixed charges comparable with ours based on their gross earnings.

Mr. HAZEN: I thought possibly you might have picked out the ones which had the lowest fixed charges.

Mr. VAUGHAN: No, sir.

The VICE CHAIRMAN: Three of the largest railroads are there.

Mr. VAUGHAN: I might say, if you go back to the pre-war days, the situation was very much different, very much worse from our standpoint, and those conditions may come again. For example, our fixed charges were 26·24 in 1939, and the average of class one railroads in the United States was only 15·21, and a number of them were very much lower. I think it is fair to assume that roads like the Santa Fe, and Union Pacific, which are two of the largest and most important railroads in the United States, might be taken for comparative purposes; and their figures are, for the Santa Fe, 6·91; and for the Union Pacific, 8·66, as against our figure of 26·24.

Mr. HAZEN: In 1939 what did you ask for, or did you ask that the fixed charges of the C.N.R. be made the same as the average charges of the railways in the United States?

Mr. VAUGHAN: No. We have not done that. We have up with the Department of Finance now certain adjustments in our fixed charges. If I might be permitted to do so, I would make this suggestion to the committee. A number of these things are just in negotiation. We will have another meeting soon, about March, and perhaps the matter might be discussed more fully at that time.

Mr. JACKMAN: What I am suggesting, Mr. Chairman, is that if we are going to touch upon that aspect of the railway in our report, we must examine it. I am quite willing to leave it now; but if we are going into it, it is certainly pretty lengthy.

The VICE CHAIRMAN: You would not want the adoption of anything along that line without a much more extended examination than we are having at the present time.

Mr. JACKMAN: That is what I am saying.

Hon. Mr. CHEVRIER: I think you will agree with this, Mr. Jackman, that it is hardly 2 months since the war has expired, that the attention of the government has been directed towards war matters all along and has not had time to consider this thing as it should be properly considered. That perhaps might be a reason for leaving it then until the next session which should be very soon after this one.

Mr. JACKMAN: I am quite willing to let it stand. But I hope, when the time comes, you will bring up reasons which are new as compared with those produced at the time you got the 1937 write-off.

Hon. Mr. CHEVRIER: 1939.

Mr. JACKMAN: When was it, 1939?

Mr. VAUGHAN: 1937.

Hon. Mr. CHEVRIER: You are referring to the Capital Revision Act now?

Mr. JACKMAN: Yes; because undoubtedly the line has a heavy indebtedness. The sins of its folly cannot be eliminated entirely. Before I became interested in politics, I always understood that the C.P.R. was a monument to Sir John A. Macdonald and the C.N.R. was a monument to another great Canadian.

The VICE CHAIRMAN: Shall we pass on now? Are there any other questions or observations?

Mr. REID: Are we on page 2?

The VICE CHAIRMAN: We are just moving along, Mr. Reid.

Mr. REID: I just want a little information with regard to the insurance fund.

Mr. MATTHEWS: Yes?

Mr. REID: I note at the foot of page 2:

"The several special funds of the National System including sinking funds, deposits in lieu of mortgaged property sold, deferred maintenance fund, insurance fund and pension contract fund, amounting in total to some \$77,000,000..."

and so on. I note it has increased by half a million dollars. What insurance is that?

Mr. MATTHEWS: That is a self insurance fund carried by the railway for the insurance of most of its own risks and it has been in existence for perhaps 15 years or more. It goes back a considerable time.

Mr. REID: Does the fund fluctuate a great deal?

Mr. MATTHEWS: It does not fluctuate a great deal now because it is a self-carrying fund, and any operating profits in the fund are transferred to the railway's income account; so that for practical purposes the fund does not fluctuate a great deal excepting that the inter-system securities in the fund are always carried at par and where securities are bought below or above par, there are adjustments from year to year. In the year 1944 there was an adjustment of that kind due to the difference between par and cost in the sale of some securities within the fund. But other than that, the operating profits of the fund are transferred to the railway's income account.

The VICE CHAIRMAN: Are there any other questions?

Mr. HAZEN: The Northern Alberta Railways Company does not seem to have been very successful in its operation, judging from the statement. What is the length of that railway and what country does it serve?

Mr. VAUGHAN: The Northern Alberta Railway runs from Edmonton up into the Peace River country, up to Dawson Creek. There is also a branch east of there running north of Edmonton. It serves the so-called Peace River country. The road is owned jointly by the C.P.R. and the C.N.R.

Mr. HAZEN: Are there possibilities of its position improving as the country gets settled?

Mr. VAUGHAN: As more settlers come in, and there is more wheat to ship and more traffic to come out, the situation should be improved. But I do not see any prospect for any immediate improvement. The road did reasonably well during the war years when there were so many contractors moving large quantities of material up there for the construction of the Alaska Highway.

Mr. JACKMAN: That reminds me, Mr. Minister, that we were forgetting about the Hudson Bay Railway. I hope it will not take too long.

Hon. Mr. CHEVRIER: Well, we are ready.

The VICE CHAIRMAN: Is there anything else on that page?

Mr. JACKMAN: It is hard to get through this quickly. This insurance fund has increased approximately half a million dollars. You were talking about that a moment ago. No major loss has been reported. This insurance fund is to carry some of your own insurance?

The VICE CHAIRMAN: It is self insurance.

Mr. VAUGHAN: We carry our own insurance. We have a fund of our own and I think we have about \$13,000,000 in it which is invested in good securities and which more than takes care of our losses.

Mr. JACKMAN: Have you a ceiling on that? I mean, if you increase it every year by half a million, would the time not come where it met all needs?

Mr. VAUGHAN: We did. We have got it up to the point now where we do not need to increase it any more.

Mr. JACKMAN: I just cannot quite follow the wording, as to how you get that small profit of half a million dollars resulting mainly from the adjustment of the book value of the system securities sold during the year from par to cost. Can you give me an explanation of that?

Mr. MATTHEWS: Yes. I do not blame you. When system securities are purchased for the fund, if they are purchased below or above par, the fund figure is adjusted to par. In this particular year the railways were fortunate enough to be selling securities that originally the fund had to take a charge on, and when these securities were sold, the sale price was above par and sufficient to wipe out the amount that had been originally written out of the fund at the time it was purchased.

Mr. JACKMAN: All I can say is, "What an odd way of doing things."

Mr. MATTHEWS: No. I do not think so; because the principle of inter-system securities is that they are carried at par on the asset side in order to equalize the par on the ledger side. I think it is a most reasonable procedure, Mr. Jackman.

Mr. JACKMAN: Why not put them at cost? Par value does not mean anything.

Mr. MATTHEWS: All systems securities are carried at par now in the special funds, of which the insurance fund is one.

Mr. JACKMAN: That perhaps accounts for the surplus if you buy them below par and when you sell them you adjust it.

Mr. MATTHEWS: That is right. That would come in as part of the operating profits of the fund, Mr. Jackman.

Mr. JACKMAN: If they are operating profits, what happened to them again?

Mr. MATTHEWS: The operating profits of the fund are transferred to the income account of the railway each year.

Mr. JACKMAN: That was the thing I wanted to question. Why did you leave the operating profits to the credit of the fund?

Mr. MATTHEWS: Because it has been found that the amount at which the fund has been established takes care and has taken care of the losses of the railways over a period of years. In other words, you reach a certain point where it is determined within reasonable bounds that your fund is sufficient, and therefore it has been the policy of the railways in recent years to transfer the operating profits of the fund to the income account of the railway. It is all predicated upon the basis that the amount of the fund has proven itself to be sufficient for the purposes for which it was created.

Mr. JACKMAN: The annual income from the fund—not the difference between capital and loss, but the annual income is kept in the fund to pay for the losses.

Mr. MATTHEWS: No. If the fund suffered an operating loss in any year, that would be taken up.

Mr. JACKMAN: Paid by the railway system?

Mr. MATTHEWS: Yes. It is maintained on the basis that it is changed where the inter-system securities are below or above par. That is the broad basis. As I say, Mr. Jackman, if in any line of endeavour you establish a reserve that has proven over a period of years to be reasonably sufficient, you would not continue to appropriate out of your earnings a continuing figure. You would reach a point eventually where it would not be necessary. That has been the policy of the railway, and the results thus far have justified it.

Mr. JACKMAN: It is not a very important matter, Mr. Matthews. But as I understand this, the railway carries its own insurance?

Mr. MATTHEWS: That is right.

Mr. JACKMAN: And you have a fund there consisting of system bonds, securities of one sort or another?

Mr. MATTHEWS: Yes.

Mr. JACKMAN: You did for a number of years pay an annual premium?

Mr. MATTHEWS: Yes.

Mr. JACKMAN: Every year there is an annual premium paid.

Mr. MATTHEWS: There was, especially in the earlier years, by charges to the operating expenses to create the reserve.

Mr. JACKMAN: In the early years. You do not pay a current premium now?

Mr. MATTHEWS: No. The charges to operating expenses now are not very substantial.

Mr. JACKMAN: They have no relation to what you would have to pay a commercial company?

Mr. MATTHEWS: No. That is quite right; because over the early years the reserve was built up and reached that point where the historical record established that the amount reached was sufficient and the losses are taken into account each year against the earning power of the fund.

Mr. JACKMAN: And that fund is so large and healthy now that you do not have to call on the railway for any premium or the equivalent of premiums at all. Is that right?

Mr. MATTHEWS: I would not say "any". I just have not got the full analysis of the fund. Mr. Cooper, what is the proportion of premiums in here?

Mr. COOPER: There are not any premiums now paid into the fund, except with respect to risks which we insure with outside underwriters.

Mr. JACKMAN: You mean there is a certain amount of re-insurance to spread your risk?

Mr. COOPER: On special risks we take out outside insurance.

Mr. JACKMAN: What would be the special risk in a railway system?

Mr. COOPER: Fidelity bonds, Grand Trunk Milwaukee Car Ferries, the Pacific Coast steamships with respect to war risk; things of that sort.

Mr. JACKMAN: The fund is set out in the balance sheet some place, is it?

Mr. COOPER: Yes.

Mr. JACKMAN: All right.

The VICE CHAIRMAN: That is, you only put in, Mr. Cooper, the amount that has to be paid out to some commercial company at the present time?

Mr. COOPER: Yes. It is paid in and goes out and does not affect the balance of the fund. In answer to Mr. Jackman's question generally, the railway to-day is not paying any premiums for insurance. The income from the investments of the fund is sufficient to meet the losses which occur.

Mr. JACKMAN: In case you might be thinking I was critical, I wish to commend you for having such a nice fund there. You are very fortunate.

Mr. HARKNESS: You have an item here reading, "Other deferred assets are composed mainly of contracts receivable in connection with the sale of land in western Canada." Has the railway company still a considerable amount of land in western Canada?

Mr. VAUGHAN: Yes, we still have quite an acreage for sale.

Mr. HARKNESS: Where does it appear in the balance sheet? I was looking over the balance sheet and I do not see any amount included for the value of this land. The only thing I see is that shown at cost.

Mr. VAUGHAN: It may not be shown separately.

Hon. Mr. CHEVRIER: What about miscellaneous property?

Mr. COOPER: The amount carried in other deferred assets with respect to contracts receivable on our western land amounts to \$2,126,000.

Mr. JACKMAN: That is the amount receivable last year on instalment payments.

Mr. HARKNESS: Where does that appear in your consolidated balance sheet?

Mr. COOPER: It appears under the general heading of deferred assets and is the last item there, other deferred assets, \$3,176,378. As the auditors say in their report the principal item included in that account is in respect of these western land contracts the amount of which is \$2,126,000.

Mr. HARKNESS: That is land already sold?

Mr. COOPER: Yes.

Mr. HARKNESS: I was talking about land which is not sold.

Mr. VAUGHAN: I do not think we have that figure but we will be glad to get it and give it to you.

Mr. HARKNESS: Where does that appear in your balance sheet or do you list it at all?

Mr. MATTHEWS: Miscellaneous physical property.

Hon. Mr. CHEVRIER: Miscellaneous physical property.

Mr. COOPER: On the balance sheet under the heading of miscellaneous physical property, \$65,127,197, the third item on the asset side. That includes \$2,234,000 for land which is not sold. It is carried in the accounts generally at \$5 an acre.

Mr. JACKMAN: Do you know offhand how many thousands of acres you have got?

Mr. VAUGHAN: That we had originally?

Mr. JACKMAN: No, left.

Mr. COOPER: I could not say offhand.

Mr. JACKMAN: About 400,000.

Mr. VAUGHAN: I think it is a little less than 400,000, but we will be glad to file a statement on it.

Mr. HARKNESS: That is not really the rated value. It is just a figure set on it.

Mr. COOPER: We wrote it down as far we thought we should write it down. We thought \$5 an acre was the minimum amount at which to carry it in the balance sheet.

Mr. HARKNESS: Actually I should think it would be worth considerably more than that at the present time.

Mr. COOPER: I am sure it is, especially under present conditions, but keep in mind this is the unsold balance of the original acreage and naturally includes the worst of the acreage which we had.

Mr. HARKNESS: Is the company making any effort to sell that land at the present time in view of the fact that prices are about as high in western Canada as they ever have been?

Mr. VAUGHAN: We have a very active land department. We are selling substantial acreages of land every year. They are pushing the sale of those lands as hard as they can all the time.

Mr. HARKNESS: I should have thought some of those lands could have been made use of for veterans' re-establishment under the Veterans' Land Act.

Mr. VAUGHAN: I think our people have had some negotiations in that connection. I do not know how far they have developed, but I know they have not missed any opportunity to dispose of these lands.

Mr. EMMERSON: That land is not developed land in any way?

Mr. VAUGHAN: It is not irrigated land. Most of it is unbroken land.

Mr. EMMERSON: There has been no attempt to foist that off on veterans, has there?

Mr. HARKNESS: Most of this land is relatively close to the railway and I should think it would be quite suitable for veterans' re-establishment.

Mr. VAUGHAN: Some of the land is close to the railway and some is not so close, but we are not missing any opportunity at all to sell this land at what we think is a fair price for it. Our land department is very active in that connection.

Mr. REID: Under your colonization scheme have you investigated this land from an agricultural, climatic and every other point of view?

Mr. VAUGHAN: I did not catch that.

Mr. REID: Under your colonization scheme have you investigated the land? Have you had experts go in and check on the soil and the climate?

Mr. VAUGHAN: We have our own agricultural and colonization department who do that. They have a report on every acre of land we own.

Mr. REID: How does it rate?

Mr. VAUGHAN: As Mr. Cooper said, some of that land is not the best land we had. Some of it is very good agricultural land but I could not tell you how the various parcels rate. These acreages are spread all over in different localities.

Mr. BEAUDOIN: I should like to ask a question but it is on page 5..

The VICE CHAIRMAN: We have been moving forward and backward.

Mr. BEAUDOIN: I have a question which is on page 5. I guess I had better read it. It is under the heading "Uniform Accounting Regulations."

Having in mind the conflicting elements in the railway situation in Canada and the widespread publicity given to the matter from time to time in the decade preceding the present war, we are persuaded that the uniform presentation of the published accounts of the two major Canadian railways will be of far-reaching importance in the post-war years to the government and people of Canada as the shareholders of the National System. Accordingly we deal briefly with the matter to which we have made reference for several years.

Then a little further down you say:—

It is further recommended that the regulations require the published income accounts to show the two principal traffic density factors of freight tonnage and passenger volume per mile of road operated.

Then in the last paragraph you point out that if these recommendations are accepted it would eliminate the misconceptions arising through the endeavour to compare published results which have not been computed on the same basis. What I should like to know is why nothing has been done although you have been recommending these things for several years?

Mr. MATTHEWS: Something has been done in respect of that. As a matter of fact, in the early period of the war there was a departmental committee formed along with representatives of the two major railways to give some preliminary consideration to the matter. I believe that at that time it was under Mr. Howe but owing to war conditions it was not found possible at that time to bring the matter to any conclusion. It was a matter that had received some consideration at that time but since the war there have been more important things to consider. With the post-war period, and having some recollection of the thirties, our viewpoint is it would be a matter meriting the serious consideration of parliament.

Hon. Mr. CHEVRIER: Perhaps I might add that in 1937 the then Minister of Transport set up a committee. The reference to the committee was limited to an instruction to review the whole question of uniform railway accounting regulations under statutory authority of the dominion. That committee met and made a great deal of progress but was stopped by the war, as Mr. Matthews points out. Then it was agreed that their work should be discontinued for the time being as it was obvious on account of the increased work arising out of the war no radical change in accounting methods could be introduced.

Mr. BEAUDOIN: Is that committee still in existence?

Hon. Mr. CHEVRIER: I do not think so.

Mr. BEAUDOIN: Was that committee formed with the C.N.R. and the C.P.R. people?

Hon. Mr. CHEVRIER: Yes, I have a list of the names here. I think that the committee is defunct now. I presume the auditor puts it in his report so as to bring it to the attention of the committee and of the government in order to suggest that a similar committee be set up, or perhaps the same committee.

Mr. BEAUDOIN: I presume, Mr. Vaughan, it is contemplated that some of your officers will get in touch with officers of the C.P.R. in order to accomplish this?

Mr. VAUGHAN: Our officers and the C.P.R. are in touch from time to time. There have been many differences of opinion in respect of this accounting matter and I suppose there will continue to be.

Mr. BEAUDOIN: But this matter is being discussed?

Mr. VAUGHAN: There will continue to be differences of opinion. We have not quite reconciled our views yet either with the Canadian Pacific Railway or with Mr. Matthews on this matter, but I do not think we are very far apart and we may be able to get together.

Mr. REID: I was going to ask Mr. Matthews if any other railroads have, in your opinion, a better system of accounting and, if so, what is to prevent the C.N.R. changing their accounting system so as to be in line with the other railways if they think they are better? Why should there have to be compulsion? If they have a better system why not adopt it? What is preventing that being done?

Mr. MATTHEWS: We are thinking in terms of uniformity because in years gone by there has been so much publicity given to the comparative positions of the two railways. In so far as the National System is concerned they are in the main on the I.C.C. basis, but it is a question that resolves itself ultimately into some department of government with authority to make regulations as the I.C.C. do and to see they are enforced uniformly by the railways of Canada.

Mr. REID: One would almost infer from reading that in the recommendation that the C.P.R. balance sheet is in such a form that it places itself in a more favourable light, apart from the difference in fixed charges. Leaving that aside and speaking entirely of the operations of the railways and their accounting systems one would gather from reading it that the C.P.R. must have a better system and that their balance sheet to the public shows a far more favourable picture.

Mr. VAUGHAN: We would take decided objection to that. We think their system is no better than ours.

Mr. BEAUDOIN: I think your idea was to remove misconception on the part of the public but there is no intention on your part to say that the C.P.R. or any other system is better than the C.N.R.

Mr. MATTHEWS: I thought I made that clear when I read that section that it was not a singling out of any other railway but a suggestion for uniformity that would apply to the two major railways of Canada, principally along the lines of the uniform accounting as effected by the Interstate Commerce Commission in the United States for all railways.

Mr. REID: I am willing to accept Mr. Vaughan's statement right off, that their accounting system is itself better. I am willing to accept it right there, and having accepted it, I cannot see why the Canadian National system is in any inferior position before the public outside, apart from the capital structure.

Mr. VAUGHAN: Mr. Matthews can say very readily whether he considers our system of accounting satisfactory or not.

Mr. MATTHEWS: We would not be certifying the accounts if we did not think so. But this is a matter which touches a much broader situation than that. It has to do with the history of public relations affecting the Canadian National Railways when comparisons are made with the Canadian Pacific Railway; and I think those who remember the publicity given to the matter of the Canadian National Railways' more or less hopeless position as pictured by many people in Canada during the period when the capital revision proposals were up and prior to that time, that one cannot help but feel that uniformity of presentation would be of advantage to the people of this country who own this Canadian National Railways. I do not want to be placed in any position, as I said this morning, of passing any opinion on the accounting of companies of which we have no more knowledge than you have already gained through the accounts published. But in the post-war period, we have in mind for instance the matter of reserves and the utilization of reserves, and we feel strongly that there should be some means adopted that would ensure that the utilization of

those reserves be effected on a uniform basis. As we see it the only way that it could be accomplished would be under government auspices, somewhat similar to the position of the Interstate Commerce Commission in relation to the railroads of the United States. It is a matter that we realize is contentious, but we feel looking back over the years that it would be an advantage.

Mr. MUTCH: An advantage from the point of view of the public to be able to picture the relative positions of the railroads.

Mr. MATTHEWS: That is right, without criticizing either one.

Mr. MUTCH: It might be a good suggestion, with one system of explanation more approaching the lines of publicity than the other.

Mr. JACKMAN: May I suggest that the commission proposed by Mr. Beaudoin and Mr. Reid to go into the matter of accounting would hardly be needed in view of the fact that this committee is to sit again in a matter of months. Should we make any reference to that in our report, or do we want to go into it now?

The VICE CHAIRMAN: We can study it, as you said a little while ago, when we are talking about this matter of fixed charges.

Mr. HAZEN: I do not think we need to decide now to put it into our report.

Mr. REID: Perhaps at a later session we could go more fully into it.

Mr. HAZEN: When is that set up?

Hon. Mr. CHEVRIER: That was set up in 1937.

Mr. BEAUDOIN: Have we gone through this page 6, Trans-Canada Air Lines?

Hon. Mr. CHEVRIER: No, not yet.

Mr. JACKMAN: I do not see, Mr. Matthews, that you have reported profits from affiliated companies. I was wondering if you could tell us whether there were any substantial earnings by the subsidiary companies which would accrue to the Canadian National system, but which has not yet been declared in the form of a dividend.

Mr. MATTHEWS: We are more concerned about losses.

Mr. JACKMAN: You reported all the losses, but you did not say anything about profits, and whether or not they were paid over to the system.

Mr. MATTHEWS: That is quite right, but our chief concern about investments of this kind is to keep parliament advised as to whether or not there are any of these companies in which investments are made that are suffering losses that are not reflected.

Mr. JACKMAN: I see, you are more concerned with the losses; our concern is with both, as to whether there were profits or losses.

Mr. MATTHEWS: Mr. Cooper indicated this morning that there are several of these affiliated companies whose dividend record has been very good.

Mr. JACKMAN: He mentioned one of sixteen per cent. That may or may not have been paid over. I presume that he was talking about dividends.

Mr. MATTHEWS: Yes.

Mr. JACKMAN: What I am asking is whether any substantial amounts earned in the affiliated companies were turned over, what our share was.

Mr. MATTHEWS: Some of the American affiliates would naturally have a surplus the same as any other company, but the Toronto terminals for instance, in which there is a very considerable investment, is neither a surplus or a deficit company.

Mr. JACKMAN: All I am asking is, is there any substantial amount in relation to—

Mr. MATTHEWS: Do you mean, abnormal amount being withheld?

Mr. JACKMAN: I mean, is there any substantial amount earned that is not paid out?

Mr. MATTHEWS: I do not think in any sense that there is any extra surplus; no, Mr. Jackman.

Mr. JACKMAN: But I still—

Mr. MATTHEWS: They pay dividends annually when they are earned, but they naturally do not pay out of their surplus any more than any other prudently managed companies.

Mr. JACKMAN: You see, the Companies Act has seen fit to make companies reveal whether subsidiaries have paid out their full earnings or are keeping some from the shareholders. As you will appreciate, in this case we are the shareholders, and I am merely asking you that question.

Mr. MATTHEWS: That is from an income tax point of view quite true.

Mr. JACKMAN: It is not from the income tax point of view, it is from the point of view of the shareholders; we are the shareholders, at least we represent them; I do not know whether these companies had any substantial earnings.

Mr. MATTHEWS: We have no company in mind that is piling up any undue surplus without making some distribution of dividends.

Mr. REID: Arising out of page 4, the general scope of the audit; is your audit itself very extensive?

Mr. MATTHEWS: Extensive?

Mr. REID: Yes.

Mr. MATTHEWS: Yes; as far as territory is concerned, our offices in Canada; we utilize them for most of the main accounting points such as Moncton, Montreal, Toronto, Winnipeg, Vancouver; and in the States at—

Mr. REID: You have offices at these various places across the country?

Mr. MATTHEWS: That is right; and our American offices cover such points as Detroit, Duluth, Cleveland and St. Albans and our London office takes care of the London and Paris offices of the National Railways. To that extent it is diversified at the principal points.

Mr. JACKMAN: Other affiliated companies again, why did you see fit to put in clause (c), "that no corporate deficit had been accumulated up to the 31st December, 1944. This indicated position, however, should be considered in conjunction with the restricted accounting policies relating to accrued depreciation on this property"; what does that mean to us?

Mr. MATTHEWS: First of all, it would be a very unsatisfactory position if the National railways had substantial investments in affiliated companies that had any corporate deficits to start with.

Mr. JACKMAN: Yes.

Mr. MATTHEWS: In the second place, we say that is not the case, the companies do not have corporate deficits; but we have to bear in mind that in the United States as well as in Canada these companies have not had depreciation accounting on fixed properties very long, only since the 1st of January 1943.

Mr. JACKMAN: Is that a warning to us that the retirement accounting may not be adequate in connection with some of these companies?

Mr. MATTHEWS: No. It is just a statement of fact, that in considering the actual financial position of these affiliates that in regard to depreciation on fixed properties their policy has been in line with the Interstate Commerce Commission which was started at a very recent date, 1943.

Mr. JACKMAN: In other words, we can take it from that that we are not to be warned by that paragraph.

Mr. MATTHEWS: That is a statement of fact.

Mr. JACKMAN: Quite so, it should be considered in conjunction with restricted accounting policy; you say, "this indicated position, however, should be considered in conjunction with the restricted accounting policies relating to accrued depreciation of fixed properties." I say there is a warning signal to draw my attention to something; that is it is not as healthy as the books indicate.

Mr. MATTHEWS: Not at all. It is only to point out to you that the accounting for fixed properties commenced at a late date, and that these companies in common with all other railroads in the United States have but recently adopted depreciation policies for fixed properties.

Mr. MOORE: Repeated references have been made to the fixed charges of the C.N.R. I think someone said that they were just about the highest railroad on the American continent. Is there any reason why the fixed charges of the C.N.R. should be higher than that of any other system?

The VICE CHAIRMAN: Do you mean, should remain higher?

Mr. REID: Should be higher.

Mr. VAUGHAN: On account of the way the railroads have been built up. There were high interest charges when these railroads were taken over and become part of the Canadian National Railways and they have been carried along.

The VICE CHAIRMAN: Are there any other questions?

Gentlemen, we had hoped you remember to get through these estimates also. I do not want to hurry anybody. I just point out that we had hoped to get through.

Mr. JACKMAN: May I ask Mr. Matthews about the next paragraph which refers to the Northern Alberta Railways?

Mr. MATTHEWS: Yes.

Mr. JACKMAN: It says: "During the year investments in affiliated companies increased in an amount somewhat exceeding $1\frac{3}{4}$ million dollars, principally with respect to the purchase of additional bonds of the Northern Alberta Railways Company in order to finance 50 per cent of that company's requirements for maturing funded debt and capital additions and betterments in 1944." Of this how much was for additions and betterments.

Mr. MATTHEWS: About a half million dollars. There was the maturing obligation of \$2,420,000, of which the two railroads each contributed 50 per cent, the Canadian National proportion being \$1,210,000.

Mr. REID: I move that the report be adopted.

Mr. BEAUDOIN: I will second that motion.

Mr. JACKMAN: What about the last page there? There are one or two items on the general scope of the audit. Do you have many defalcations, do you find any defalcations?

Mr. MATTHEWS: No. As we point out, we are primarily concerned with the system of internal audit control exercised by the railway and the officers of the railway have at all times been cooperative with us on any points where there appeared to be any desirable changes in order to protect the interests of the railway. And, further, Mr. Jackman, I would mention to you that the railway has seen to it that they carry a very substantial fidelity bond which is world-wide, and that is good policy.

Mr. JACKMAN: Then there are no defalcations?

Mr. MATTHEWS: I would not say there are no losses, but nothing of large proportions.

Mr. JACKMAN: But you mention that some of the premiums paid for insurance were to insure outside of the company for defalcations.

Mr. MATTHEWS: That is the fidelity bond.

Mr. JACKMAN: You really are covered entirely for any defalcations.

Mr. MATTHEWS: We think reasonably so, Mr. Jackman, anywhere in the world.

Mr. JACKMAN: Under that general scope of audit the auditors report that they have examined the minutes and by-laws, etc. I was wondering whether or not in view of the size of this corporation and in view of the fact that parliament saw fit some years ago to put into the Bank Act the requirement that there be published the attendance record of the directors of the banks—the directors of the company I believe get \$5,000 a year for serving and as far as I know they do their job very well—do you think it would be in the interest of parliament and the people that attendance records were kept and published as in the case of the chartered banks? After all, people are much closer to this than they are to the banks in a sense because we own this and we only have public interest in the banks.

Mr. VAUGHAN: I do not think there is any particular objection. We practically have 100 per cent attendance all throughout the year.

Mr. REID: Are there any vacancies?

Mr. VAUGHAN: I should like to point out that our directors do a great deal more than just sit in at directors' meetings.

Mr. HAZEN: How often do they meet?

Mr. VAUGHAN: They meet once a month, but they are doing a great deal of work in between times for the Canadian National Railways.

Mr. MUTCH: Do they get any expenses without income tax?

Mr. REID: I see there is no one there from British Columbia. That is why I asked about the directors' meetings.

Mr. MUTCH: You are too far away out there.

Mr. JACKMAN: Do you want to recommend—

The VICE CHAIRMAN: There was a motion made, although I did not put it because at that time you also asked a question, Mr. Jackman. But there is a motion made by Mr. Reid and Mr. Beaudoin for acceptance of the auditors' report. Is that what you are asking me now?

Mr. JACKMAN: No. I was not referring to that.

The VICE CHAIRMAN: I thought that you asked if there was a motion. I beg your pardon.

Mr. JACKMAN: No. I was asking you whether or not... in view of the fact that it is not only in the public interest but is a publicly-owned railway, in view of the fact that parliament saw fit to ask for an attendance record of the bank director we—should ask for an attendance record in future of the directors of the Canadian National Railways?

The VICE CHAIRMAN: Would you agree with this, Mr. Jackman? We will sit down to consider the report after the officers have gone, as we always do; and it would properly come up at that time. Is that not right?

Mr. JACKMAN: Yes.

The VICE CHAIRMAN: Will you bear that in mind and revive it at the time?

Mr. JACKMAN: I will try to.

Mr. BEAUDOIN: What is the next item?

The VICE CHAIRMAN: Are we ready for this motion?

Mr. JACKMAN: No.

The VICE CHAIRMAN: All right. I only wanted to know.

Mr. JACKMAN: We are leaving the T.C.A. until next week, are we?

The VICE CHAIRMAN: Yes.

Hon. Mr. CHEVRIER: That is right.

The VICE CHAIRMAN: Are you ready for the motion?

Some Hon. MEMBERS: Question.

The VICE CHAIRMAN: Those in favour of the motion, say "aye".
Those opposed, if any?

Some Hon. MEMBERS: Carried.

Motion agreed to.

The VICE CHAIRMAN: That is carried, then.

That concludes consideration of the C.N.R. reports.

Mr. REID: I wonder if I could ask one question of Mr. Vaughan. It is something that has always been running through my mind every time I pass from the west to the east. How much money is really collected from the poor passengers passing through Saskatchewan when they eat meals? I know it would not interfere with this system at all, but I always wondered how much was collected and if there was a record of it kept.

Mr. VAUGHAN: I do not know whether we could segregate that or not.

Mr. MUTCH: Ask the C.C.F.

Mr. REID: The C.C.F. had nothing to do with this. It was in effect before they came into office. I kicked about it.

Mr. VAUGHAN: A man may come into the dining car in Alberta and may pay his bill in Saskatchewan or may come in Saskatchewan and pay his bill in Manitoba.

Mr. REID: I wondered if there was any accounting kept; every time you eat in Saskatchewan it is so much for a meal.

Mr. VAUGHAN: That tax goes to the province of Saskatchewan. You know that.

Mr. NICHOLSON: And we are making a point of collecting it.

Mr. VAUGHAN: We have the same thing in the province of Quebec.

Mr. REID: There is?

Mr. VAUGHAN: Yes.

Mr. MUTCH: There is a little compensation in Quebec, though.

The VICE CHAIRMAN: This concludes the C.N.R. report. I do not know whether or not, in connection with these estimates, we will want the officers of the C.N.R. to remain.

Hon. Mr. CHEVRIER: Not unless they want to.

The VICE CHAIRMAN: We are not going to try to chase them away. I am sure the committee would want me to express our thanks to the officers for their attendance.

Mr. REID: I move a vote of thanks for the attendance of the officers and the information they gave.

Some Hon. MEMBERS: Hear, hear.

The VICE CHAIRMAN: That is unanimous and is reported on the minutes.

Mr. VAUGHAN: I should like to say to the committee, on behalf of the railway, that we appreciate very much the consideration of the committee.

The VICE CHAIRMAN: As I say, you are not being chased away, Mr. Vaughan; I think the next matter is one you may have an interest in. I think you will, anyhow. The next matter is concerning three items. There are still some blue estimate books here.

Mr. HAZEN: What is the page?

The VICE CHAIRMAN: The votes are numbers 377, 378 and 421. The first two are on page 48. This is 377:—

To hereby authorize and provide for the payment from time to time during the fiscal year 1945-46 to the Canadian National Railway Company of the difference (estimated by Canadian National Railway Company and certified by the auditors of the said company to the Minister of Transport as and when required by the said minister) occurring on account of the application of the Maritime Freight Rates Act, between the tariff tolls and the normal tolls (upon the same basis as set out in section 9 of the said Act with respect to companies therein referred to) on all traffic moved during the calendar year 1945 under the tariffs approved on the eastern lines (as referred in section 2 of the said Act) of the Canadian National Railways.

The amount is \$3,500,000. It was the same last year. What is your pleasure with respect to that appropriation?

Mr. JACKMAN: Before we go on with this, I want to direct to the attention of the chairman of the committee, before the directors leave, that we have not touched the Hudson Bay Railway yet. It should not take very long.

Hon. Mr. CHEVRIER: We are prepared to go on with the Hudson Bay Railway any time.

Mr. JACKMAN: I do not care when you do it. I keep forgetting about it and you do not remind me.

The VICE CHAIRMAN: I think the minister is to blame. He should be reminding you.

Hon. Mr. CHEVRIER: There is an officer from the Hudson Bay Railway here, so we will be ready to go on.

Mr. JACKMAN: I do not think we need the C.N.R. officials.

The VICE CHAIRMAN: Before you travel up to Churchill, what about this estimate?

Mr. JACKMAN: This comes before us because it is an estimate of the Department of Transport?

The VICE CHAIRMAN: Yes.

Hon. Mr. CHEVRIER: And it is a statutory estimate under the Maritime Freight Rates Act.

Mr. JACKMAN: Have we power to alter it?

Hon. Mr. CHEVRIER: No. You have the power to amend the Act or at least parliament has power to amend the Act.

Mr. JACKMAN: What are our functions in regard to it?

The CHAIRMAN: We have to approve it.

Hon. Mr. CHEVRIER: It is referred to the committee of supply and taken, by virtue of the motion setting up this committee, from the committee of supply to the Railways and Shipping Committee. It has been referred to this committee for some years, but it does not take away from parliament the right to discuss, consider and review this estimate when the committee is in supply.

Mr. JACKMAN: What I wish to find out is what we have to do with regard to it.

The VICE CHAIRMAN: We have never done anything except just pass it.

Mr. NICHOLSON: Could we have some statement of the position during the war years? We have never taken much time going into details about this. Could we have some details as to that?

Mr. JACKMAN: What I should like to know, Mr. Minister, is if we are aiming at something, and if so, what it is. I should like to know what we are shooting at. It is very hard to direct questions until you know what it is about.

Hon. Mr. CHEVRIER: Perhaps I should say that under the Maritime Freight Rates Act, section 2 and section 9—

Mr. HAZEN: What chapter is that?

Hon. Mr. CHEVRIER: It is chapter 79.

Mr. HAZEN: 1927?

Hon. Mr. CHEVRIER: It is in the revised statutes of Canada of 1927. Authority was given to the Canadian National Railways in each fiscal year to provide for the payment of the difference between the normal rates and tariff rates on the lines of the Canadian National Railway in the eastern districts or eastern lines; that is the lines of the Canadian National Railway operating in the provinces of New Brunswick, Prince Edward Island and Nova Scotia and the eastern part of Quebec, extending from Diamond Junction to Levis.

Mr. BELZILE: Oh, the old inter-colonial.

Hon. Mr. CHEVRIER: I will come to that. We discuss that in the next vote. This vote has to do only with the 20 per cent reduction in tolls paid to the Canadian National Railways and not to other lines operating in this area.

Mr. REID: There is no vote that could become more controversial than this particular vote, if it opens up.

The VICE CHAIRMAN: That is right.

Mr. REID: Because I have argued it in the house for years, when comparing the rates with those in British Columbia. However, I am not going to open that subject up today. But if you want to open it up, I am ready to open it up with any one.

The VICE CHAIRMAN: I think you had better stay with the bag pipes. We like them.

Mr. REID: I am not going to open it up.

Hon. Mr. CHEVRIER: If you look at the accounts of the railway, I think you will find that it is contained in their accounts as being received by the railways. I think Mr. Cooper dealt with that to some extent last night.

Mr. COOPER: What is that, sir?

Hon. Mr. CHEVRIER: I am referring to the item of \$3,500,000 that is paid by the government to the railway.

Mr. COOPER: That is shown on page 15. In 1944 the amount was \$3,853,000 as compared with \$4,140,000 in 1943.

Mr. MUTCH: That is just a contribution for the relief of the maritime area, is it not?

Hon. Mr. CHEVRIER: That is right.

Mr. NICHOLSON: How do you arrive at this amount?

Hon. Mr. CHEVRIER: It is estimated by the Canadian National Railway Company and it is certified by the auditors. The estimate arises out of the report of the Duncan Commission, I think, which found that discrimination was exercised against the maritime provinces as opposed to the rest of Canada, and recommended that some measure of relief be granted to the maritime provinces by way of reduced freight rates. Mr. Dunning introduced to parliament—in 1927 or 28, I think—this Act and gave reasons for it at the time, namely that it was to give relief to the eastern provinces.

Mr. REID: And by the way, I think it was the only part of the Duncan Report that ever was adopted by parliament. That was singled out.

Some Hon. MEMBERS: No, no.

Mr. REID: I think so, anyway.

Mr. JACKMAN: What discretion lies with the committee, Mr. Minister, in regard to this item?

The VICE CHAIRMAN: I do not fancy there is any discretion except that in debate, I suppose, resolutions adding to it might be made, but I do not know. It is a statutory amount.

Mr. JACKMAN: Could I put a question to Mr. Vaughan? He sometimes knows more than he talks about. Can we do anything about this, Mr. Vaughan? What have we got to do with this? Do you know that? Can you help us out?

Mr. VAUGHAN: We really are not affected to any great extent, because this refers to the difference between the tariff rate and the amount apparently that the Duncan Commission felt the people in the maritime provinces ought to be asked to pay. We still get credit for our tariff rate.

Mr. HAZEN: Is this 20 per cent less than the tariff rate?

Mr. VAUGHAN: Yes.

Mr. McCULLOCH: Not in all cases.

Mr. HARKNESS: Is this a lump sum paid every year, or does it depend on the amount of traffic?

Mr. VAUGHAN: Yes, it depends upon the amount of traffic.

Hon. Mr. CHEVRIER: And the Canadian National Railways estimate what the amount of traffic is.

The VICE CHAIRMAN: It was more than this that was paid out last year.

Mr. JACKMAN: Are we supposed to consider the principle of the whole thing now?

The VICE CHAIRMAN: No, because it is in an Act of parliament already.

Hon. Mr. CHEVRIER: It is a statutory vote, and I understand that in parliament we do not vote statutory items. They are on the estimates just as this one is. They can be discussed if one wants to do so, but I do not think they can be abrogated or annulled or affected in any way.

Mr. MUTCH: The only way to alter this, if my understanding of it is correct, would be to attack the Act itself and amend the Act.

Hon. Mr. CHEVRIER: That is right.

Mr. MUTCH: Then this committee has no more power than any individual to do that.

Hon. Mr. CHEVRIER: I would not think so.

Mr. MUTCH: We could say, in our wisdom, that we thought somebody should change it, but it does not extend beyond that.

Hon. Mr. CHEVRIER: That is right.

Mr. BEAUDOIN: There is only one thing to do and that is to move the adoption of the estimates.

The VICE CHAIRMAN: It has to be adopted or else a change made, yes. We have always just approved it so far.

Mr. REID: To show you how broad-minded I am, I will move the adoption of the estimate.

Mr. EMMERSON: I will second it.

Mr. JACKMAN: There must be some reason for this.

The VICE CHAIRMAN: We are passing them every day in the House of Commons.

Mr. JACKMAN: It was referred specifically to this committee.

The VICE CHAIRMAN: Oh, yes. The reason for that was that it was tied in with the C.N.R. to a certain extent. It is a piece of money that goes to the C.N.R. I recall at the time that Mr. Dunning brought this Act in it was specially stated,

Well, it is tied in with the C.N.R. matter, and you might as well send it to the committee for consideration at the same time.

That is the manner in which it got here.

Mr. JACKMAN: The consideration we give it is whether or not it is too much or too little.

Hon. Mr. CHEVRIER: I do not think you can change the amount.

Mr. REID: It is under Act of parliament.

Mr. JACKMAN: Can we not revise it?

Hon. Mr. CHEVRIER: What happens is it is in the estimates which are now tabled in the House of Commons and referred to the committee of supply. It was withdrawn from the committee of supply at the request of the House some years ago and ever since then it has been brought before the committee.

Mr. HAZEN: Carried.

Mr. HARKNESS: You say we cannot change the amount. That is why I was asking whether it was a lump sum.

Hon. Mr. CHEVRIER: The amount is not fixed by the Act. The amount is fixed by the freight and the traffic. The Canadian National Railways say to the government what the traffic is, it is audited by the auditors, and we pay.

Mr. JACKMAN: I presume this is an opportunity for the maritimers to ask for an increase.

Mr. McCULLOCH: I move that this item be passed.

The VICE CHAIRMAN: I should think that Mr. Hazen would second that.

Mr. HAZEN: Yes.

The VICE CHAIRMAN: All in favour?

(Carried).

No. 378 is:—

Amount required to provide for payment from time to time during the fiscal year 1945-46 of the difference (estimated by the Board of Transport Commissioners for Canada and certified by the said Board to the Minister of Transport, as and when required by the said Minister) occurring on account of the application of the Maritime Freight Rates Act, between the tariff tolls and the normal tolls (referred to in Section 9 of the said Act) on all traffic moved during the calendar year 1945 under the tariffs approved by the following companies: Canada and Gulf Terminal Railway.

Then there is quite a long list of railways there, and the amount is \$900,000.

Hon. Mr. CHEVRIER: This is exactly on the same basis as the other only it is paid to railways other than the Canadian National Railways.

Mr. REID: I move it.

Mr. McCULLOCH: I second it.

The VICE CHAIRMAN: Moved by Mr. Reid, seconded by Mr. McCulloch, that it be approved. All in favour?

(Carried).

No. 421 is on page 54. It is the Prince Edward Island Car Ferry and Terminals:—

Amount required to provide for the payment during the fiscal year 1945-46 to the Canadian National Railway Company (hereinafter called the National Company) upon applications approved by the Minister of Transport, made from time to time by the National Company to the Minister of Finance, and to be applied by the National Company in payment of the deficit (certified by the auditors of the National Company) in the operation of the Prince Edward Island Car Ferry and Terminals arising in the calendar year 1945.

The estimated amount is \$713,000.

Mr. REID: There is just one question regarding that. I see an item in the estimates for a new car ferry, combination ice-breaker, railway car, highway vehicle and passenger ferry service.

The VICE CHAIRMAN: That is that capital expenditure.

Mr. REID: That should be of some considerable help when it gets into operation.

Mr. VAUGHAN: That is a government matter. That is to replace the car ferry which was lost.

HON. MR. CHEVRIER: That is in the course of construction now. It was voted last year.

Mr. McCULLOCH: Was the insurance on that old ferry carried by the government or privately?

Mr. VAUGHAN: On the old ferry we were fortunate. No insurance was carried on those boats but we thought inasmuch as she was going out in the Atlantic around to St. John where she was to be dry-docked we should put some insurance on her, so we put \$1,000,000 insurance on her, which was collected.

Mr. McCULLOCH: Very nice.

Mr. VAUGHAN: And turned over to the government.

Mr. HARRIS (*Grey-Bruce*): I think you are very modest when you say you were fortunate.

The VICE CHAIRMAN: What is your will regarding that?

Mr. McCULLOCH: I move that it be carried.

Mr. HARRIS (*Grey-Bruce*): I second that.

The VICE CHAIRMAN: All in favour?

(Carried).

Where do we go from here, gentlemen?

Hon. Mr. CHEVRIER: Mr. Jackman, do you want to go into Hudson Bay?

Mr. JACKMAN: I think I would like to look at it.

Mr. McCULLOCH: Stop off at Churchill.

The VICE CHAIRMAN: Before you do that those items are usually the subject of a separate report to the House and are carried in the House separately from the other main report. It is usually the second report of the committee. Do you move that this be reported as the second report of the committee?

Mr. REID: I move that.

(Carried).

The VICE CHAIRMAN: The report will be drafted and submitted in the usual way.

Hon. Mr. CHEVRIER: Mr. Jackman, there is just one thing I should like to say about the estimates of the Hudson Bay Railway. The fiscal year is not

the same as that of the Canadian National Railway. We have all the information that I think you will want. Mr. MacLachlan, who is an officer of the Canadian National Railways and familiar with the Hudson Bay Railway, has come down from The Pas to give evidence on it. There may be some difficulty in comparing the C.N.R. figures with those of the Hudson Bay because the Hudson Bay is on the same basis as the government accounts.

Mr. JACKMAN: March 31st is the end of the fiscal year.

Hon. Mr. CHEVRIER: That is right.

Mr. JACKMAN: Perhaps this is the railway on which the C.N.R. want density of traffic.

Mr. VAUGHAN: I think you understand the method under which the Hudson Bay Railway is operated. It is operated by the Canadian National Railways as agents for the government. Mr. MacLachlan is manager of the Hudson Bay Railway.

Mr. JACKMAN: I felt that it was a big bill of expense each year and that we should inquire into it. We have a demand from certain members of the House for increased service on it and the opening up of the Hudson Bay route. I think some of us should know something about it in the House of Commons.

Mr. NICHOLSON: I think this is the first time we have had Major MacLachlan since I have been on the committee. I wonder if we could have a statement from him regarding the railway before we proceed.

Hon. Mr. CHEVRIER: I do not know that Mr. MacLachlan has come down here to make a statement. He has come down here to discuss the accounts of the Hudson Bay Railway. That was the question which was raised in the House of Commons and I think I answered that they would be available when the committee sat. Had I known before perhaps I could have said to Mr. MacLachlan that he prepare a statement on the general economics of the railway, but if it is going to be the custom to call him each year we can do that.

Mr. JACKMAN: If he should come down. I suppose he could come down or perhaps the C.N.R. who operate it can answer the questions. I should not think they would be very many or very deep in regard to it. It is the fundamentals of it we want, not the amount of axle grease used.

Mr. REID: I should like to hear a statement made, if not in this session probably in the next, because I have listened carefully every year since I came to Ottawa in 1930, with the exception of the war years, for a statement about Churchill, and with all due deference to the member who introduced it—and I think he did right—I have never heard a good reason for carrying it on. If I represented that district I, of course, would bring it into the House and want it carried on.

The VICE CHAIRMAN: I feel sure you did not listen carefully.

Mr. MUTCH: It is a quarter to six. I would not want to start on that now but you can have that information.

Mr. JACKMAN: Have we not got a balance sheet and operating statement?

Mr. NICHOLSON: Major MacLachlan has come a long way. It seems unfortunate to bring him all the way from The Pas without giving him a chance to say something about it.

Mr. JACKMAN: We are all waiting.

Mr. REID: How long will it take? I will listen to you all day tomorrow and Sunday, too, but I hope you can finish it before six.

Mr. JACKMAN: Have you a statement of assets and liabilities and the operating statement for last year?

Mr. MACLACHLAN: I have got the revenues and expenses for last year.

Mr. JACKMAN: Just one copy?

Hon. Mr. CHEVRIER: It is ready for distribution and questions might be asked.

(Department of Transport report on Hudson Bay Railway appears as appendix E.)

The VICE CHAIRMAN: The questions might be asked, Mr. Jackman, and then it will be spread on the minutes.

Mr. VAUGHAN: It seems to me that this whole thing relates to the matter of government policy, whether they want this road operated or not. The point is that the lines cannot be operated otherwise. We have been criticized for not directing more grain to Churchill. We have nothing to do about it. The grain merchant is at liberty to consign his grain as he wishes. So long as there is a minimum amount of traffic going through there there is bound to be a loss.

Mr. REID: The atomic bomb may change it.

Mr. McCULLOCH: Is this the place to discuss that?

Mr. VAUGHAN: It is a matter of government policy entirely.

Mr. McCULLOCH: This is not the place to go into that, is it?

Mr. VAUGHAN: We are running a minimum service, providing one train a week, and at certain times only one train every two weeks. These are mixed trains. If you ran a train every month instead of every two weeks you might save some money, but not very much, because the track equipment and buildings have to be maintained.

Mr. JACKMAN: We have succeeded in getting the accounts referred to this committee, and I think the C.N.R. people might give us the benefit of their opinion, as we asked for it, as to what they think of this as a railway from the taxpayers' standpoint; is the railway needed; and in view of the traffic and results, may it not be in the case of certain branch lines which should be discontinued?

Mr. BELZILE: All the results of its operations are here.

Mr. JACKMAN: Naturally.

Mr. NICHOLSON: I see the revenue from trade is down a good deal, that is indicated there on the first page. Could we have some explanation as to that?

Mr. MACLACHLAN: You are dealing with the 1944-45?

Mr. NICHOLSON: Yes.

Mr. MACLACHLAN: In the previous year we handled a great deal of traffic for the American army. That dropped in 1944-45 with a resultant decrease in freight revenue.

Mr. JACKMAN: Do you expect other decreases for that region?

Mr. MACLACHLAN: Yes. We handled considerable traffic outbound this year.

Mr. JACKMAN: About how much would the normal year show by way of operating revenue?

Mr. MACLACHLAN: It is difficult to say, because we do not have normal years. We did handle some grain a few years ago, but it is pretty hard to say.

Mr. HAZEN: In the years previous to 1940, 1941 and 1942, what were your total operating revenues—could you give us the details for those years?

Mr. MACLACHLAN: In 1941-42 we took in \$104,985.15; in 1942-43 we took in \$1,102,161.15.

Mr. HAZEN: What about 1940-41?

Mr. MACLACHLAN: In 1940-41 it was \$113,488.74. In 1943-44, \$647,941.90.

Mr. JACKMAN: We have that here.

Mr. HAZEN: Your figures are for 1942-43?

Mr. MACLACHLAN: That is right there, sir.

Mr. JACKMAN: In other words, \$100,000—

Mr. MACLACHLAN: —\$110,000.00 appears to be about the minimum amount you get from local traffic.

Mr. REID: The deficit shown here is the clear deficit on the operation of the railroad, it is not like the deficit shown sometimes on the C.N., there is no debt structure in there?

Mr. MACLACHLAN: That is right.

Mr. REID: That is just on clear operation?

Mr. VAUGHAN: There is no interest on investment.

Mr. REID: There is no interest on the investment of \$33,000,000?

Mr. VAUGHAN: No.

Mr. JACKMAN: When was this railway built?

Mr. MACLACHLAN: It was started in 1909 and finished in 1929.

Mr. JACKMAN: Was there any year in which you paid the operating costs?

Mr. MACLACHLAN: Yes, in 1942-43.

Mr. JACKMAN: What would be the net loss on operating account since 1929, to date; or, in each year, if you want to put it that way.

The VICE CHAIRMAN: Mr. Jackman, the reporter has a good deal of difficulty in hearing you as well as Mr. MacLachlan. I think it is because you have been talking too directly the one to the other.

Hon. Mr. CHEVRIER: What was that question, again?

Mr. JACKMAN: The net operating loss or profit from 1929.

Mr. MACLACHLAN: I have it sir. I haven't got it for 1929, but I have it for 1935 on.

1935-36	\$239,702.75	(Deficit)
1936-37	252,854.81	"
1937-38	364,413.77	"
1938-39	285,035.11	"
1939-40	330,382.06	"
1940-41	417,558.50	"
1941-42	459,859.28	"
1942-43	112,120.75	(Surplus)
1943-44	347,872.90	(Deficit)
1944-45	564,940.02	"

Our expenses increased very materially.

Mr. JACKMAN: These increases would probably be due largely to increases in material costs?

Mr. MACLACHLAN: They have increased from 1940-41 up to the present time.

Mr. JACKMAN: In the present year you are going to face a diminution of outgoing heavy business and no sources of new traffic, and you are going to have an operating loss for the year 1945-46?

Mr. MACLACHLAN: Our budget calls for a deficit of \$500,000.

Mr. HARRIS (*Grey-Bruce*): If your revenues for the coming year, 1946-47, are to be \$150,000, how much will your expenses be, would there be a drop in them also?

Mr. MACLACHLAN: It is difficult to say, if the cost of things continues to increase we cannot foresee that.

Mr. HARRIS (*Grey-Bruce*): I am following up Mr. Jackman's question; this year you are going to lose practically over half a million dollars?

Mr. MACLACHLAN: We are dealing with the 1945-46 year?

Mr. HARRIS (*Grey-Bruce*): Yes.

Mr. MACLACHLAN: Our budget for that is estimated for \$500,000.

Mr. HARRIS (*Grey-Bruce*): That is pretty nearly your highest. Last year if was \$564,000. I might read you the comparison between 1944-1945 estimates and the 1945-46 budget. In 1944-45 we took in \$150,481 in freight. For 1945-46 we figure on \$146,600, which is a drop. For passenger business, we took in in 1944-45, \$42,074; and for the current year's budget we figure on \$40,000.

Mr. JACKMAN: We have the 1944-45 budget in front of us. Just give us the 1945-46 estimates and perhaps we can write them down.

Mr. MACLACHLAN: Mail, \$3,600; express, \$7,000; telegraph, \$12,000; all other, \$17,000; making a total operating revenue of \$226,200.

Mr. HARRIS (*Gray-Bruce*): Then what were your total operating expenses?

Mr. MACLACHLAN: Maintenance of way and structures for the current year, we budget at \$365,000; maintenance of equipment, \$52,300; transportation, \$180,100; miscellaneous operations, \$15,750; general, \$26,250; making total operating expenses of \$639,400. We have other expenses which enter into the picture and that is hire of freight cars, \$26,300; rental of locomotives, \$37,000; rent of passenger train cars—\$5,575.

Mr. REID: What is the rent of locomotives? Have you not any locomotives?

Mr. MACLACHLAN: We do not own any.

Mr. VAUGHAN: The Hudson Bay Railway does not own any railway equipment; I mean any freight cars, locomotives or passenger cars.

Mr. MACLACHLAN: Rent of passenger train cars, \$5,575; rent of loading equipment, \$26,100; total rentals, \$94,975. We get a credit for joint facilities of \$11,375 and other miscellaneous income of \$112, making \$11,487.

Mr. JACKMAN: And the deficit is \$500,000 approximately?

Mr. MACLACHLAN: \$500,000, yes.

Mr. MUTCH: Have you finished that question?

Mr. JACKMAN: Yes.

Mr. MUTCH: Could you give the committee any idea of the numbers of military personnel that were carried during the war into this area; and perhaps while you are at it, if you have it available, the tonnage of defence material?

Mr. MACLACHLAN: We were not permitted access to those figures except in a very round-about way, because they were all secret and confidential; but the total cars needed on account of American army was around 8,500.

Mr. MUTCH: 8,500 cars. That is freight?

Mr. MACLACHLAN: Well, mostly freight. That is the total.

Mr. MUTCH: My point in raising that, of course, is the fact that it is the back door to this continent. Allied strategy did give serious consideration to the threat from the north, and the entrance to it was through the Hudson Bay Railway. As against the tangible results from the road must be set, during the last 5 years a very considerable contribution to the defence of this continent. I think it is worthy of notice in passing that it is a good thing that those facilities were there.

Mr. NICHOLSON: Just along that line, I think if we had not had that railway in service, it is quite possible that the central part of this continent might have been subject to enemy attack during the war years.

Mr. HARRIS (*Grey-Bruce*): Do not let us get into an argument as to the value of the railway. Just let us keep to the estimates. Somebody has started arguing whether this thing should be or should not be, and we do not need to get into an argument about it.

Mr. NICHOLSON: Referring only to the deficit of \$500,000 a year, it might look as if it was of no value.

Mr. HARRIS: Give the committee credit for some intelligence.

Mr. MOORE: Fifty years ago we could have put up the same argument in connection with the C.N.R. and C.P.R.

The VICE CHAIRMAN: It is approaching 6 o'clock. Shall we meet again on the Hudson Bay Railway?

Mr. HARRIS (*Grey-Bruce*): No. Let us finish.

The VICE CHAIRMAN: I do not know whether we can. It would be fine if we could.

Mr. HARKNESS: I think we should adjourn.

The VICE CHAIRMAN: Do you wish to come back on that, Mr. Jackman, or can it be finished this afternoon?

Mr. JACKMAN: I would endeavour to finish if it is the wish of the committee, but there are quite a lot of questions I want to ask.

Mr. VAUGHAN: We are going home to-night, so if there are any questions you would like to ask the Canadian National Railways, we shall try to answer them to the best of our ability while we are here.

Mr. JACKMAN: There seem to be many more than myself interested in this.

Mr. MOORE: I should like to ask the president if he thinks some time in the future that, with the two or three months that the officials say the Hudson Bay Railway can be operated with success, it would be possible to put sufficient produce through the port of Churchill to make the Hudson Bay Railway pay for itself.

Mr. VAUGHAN: That is not a difficult question to answer. If there is sufficient traffic, we can certainly make it pay. The railroad itself can be operated all the year round without a great deal of difficulty; but as you know, the Port of Churchill is only open for 3 or 4 months of the year.

Mr. MOORE: That is the point I made, as to whether it could be possible, with 3 months operation of this port, to make the railroad pay for one year's operation.

Mr. VAUGHAN: I doubt if you could do it. It would depend entirely on the volume of traffic going there. It is doubtful if you could make any property pay on 3 months' operation.

Mr. JACKMAN: There is no other railway in the world that you know of that was able to make a profit on three months' operation, in view of the fact that you are blocked at the outlet and cannot get the stuff moving, apart from 3 months.

Mr. BELZILE: Is it possible to have any in-bound traffic?

Mr. VAUGHAN: There has been a little in-bound traffic coming, but the fact is there has never been very much traffic moving either in or out of Churchill. Whose fault it is I do not know. I am not prepared to say. Undoubtedly the line has had a great strategic value from a military standpoint.

Mr. JACKMAN: Do those cooperatives out west, the wheat pools, have anything to do with the direction or shipping of the grain, or does the government control that?

Mr. VAUGHAN: The cooperative wheat pools have a great deal to do with the shipping of the grain.

Mr. JACKMAN: The cooperative wheat pools on the prairie provinces do direct the shipment of their own grain according to their own wishes?

Mr. VAUGHAN: That is correct.

Mr. JACKMAN: Do they direct much over this line? It would appear obvious that they do not. Is that a fact?

Mr. VAUGHAN: Mr. MacLachlan, have you a statement on that?

Mr. MACLACHLAN: I have the amount of grain handled each year.

Hon. Mr. CHEVRIER: I filed that on the discussion of the resolution in the House. It is already on Hansard.

Mr. MUTCH: It is on the record. There is no use of putting it there if you cannot get ships.

Hon. Mr. CHEVRIER: That is so.

Mr. MUTCH: There is a difference of opinion,—an honest difference of opinion, I hope,—as to why you sometimes you cannot get ships. There is certainly a difference of opinion as to the length of time that it is possible to keep the harbour open.

Hon. Mr. CHEVRIER: Up until March of next year we cannot get ships. That is assured. The next thing is there is no in-coming traffic. If there is grain to take out, there is nothing to take in; and ships do not want to go there unless they have a load both ways.

The VICE CHAIRMAN: If you had ships, they could not get in right now.

Mr. VAUGHAN: The last 6 years is not a fair comparison because it was impossible to get the ships to take the grain away that was in the elevators.

Mr. JACKMAN: It was not much better before that. In fact it was a wee bit worse before the war.

Mr. BEAUDOIN: There might have been some factors at that time.

Mr. JACKMAN: There always are.

Mr. BEAUDOIN: I understood this railroad was finished in 1929.

Mr. NICHOLSON: Just at the beginning of the depression.

Mr. BEAUDOIN: And went through that period.

Mr. VAUGHAN: It seems to me that the traffic which will be developed there will depend entirely on the extent to which the grain merchants will use the port.

Mr. NICHOLSON: I think we have had a pretty full discussion on the Hudson Bay Railway report in the House, and unless the members have something pressing I think we might adopt the report.

Mr. JACKMAN: Mr. MacLachlan, there are no substantial decreases in operating expenses that you think are likely to come about? Maintenance of way and structures have to go on and they will cost nearly \$400,000?

Mr. MACLACHLAN: And are increasing rather than decreasing for the reason your structures were built in 1926 and 1927 and are now reaching the stage where they require more repair.

Mr. JACKMAN: Transportation expense is pretty much dependent upon volume?

Mr. MACLACHLAN: The price of coal and all that has gone up tremendously and as far as we know may continue to go up.

Mr. JACKMAN: If trains do not run your transportation expenses go down. That is the other major item in that.

Mr. MACLACHLAN: Except there is a certain amount of expense in connection with transportation that is static. No matter how many trains you have running you have to keep up your terminals.

Mr. JACKMAN: Who put up the money for them?

Mr. MACLACHLAN: The dominion government.

Mr. JACKMAN: And the elevator at the end of it is owned by the government, too?

Mr. MACLACHLAN: It is operated by the National Harbours Board.

Mr. JACKMAN: Are there any other capital items in connection with the Hudson Bay Railway outside of elevators which were paid for by the government and which are not included in the items the railway accounts?

Mr. MACLACHLAN: The elevator does not come in.

Hon. Mr. CHEVRIER: They are handled by the National Harbours Board.

Mr. JACKMAN: Are there any other facilities necessary to the carrying on of the operation in the way of capital assets which are owned by the government but not run by the railway? You run the railway; the National Harbours Board runs the elevators. What about docks?

Mr. MACLACHLAN: And there is the harbour boat.

Mr. JACKMAN: Are there any other items?

Hon. Mr. CHEVRIER: There are a number of facilities?

Mr. JACKMAN: Are they of any extent?

Hon. Mr. CHEVRIER: No, I listed them the other night in the discussion.

Mr. NICHOLSON: Where are you giving restaurant service now?

Mr. MACLACHLAN: That means board cars and restaurants. We have a deficit in that now because we are not allowed to charge more for meals than previous to the war. The result is we show a small deficit in feeding our own men and at points like Churchill we cater to the public, too, because there is nobody else to do it.

Mr. JACKMAN: I take it we are about to adjourn. I will not detain the committee now on this. I hope at the next meeting Mr. Vaughan will be able to discuss how this committee can be most useful, not only in its report to parliament as the owner of the property, but also any possible usefulness we might have to the operating officials. As I see it at the present time this committee in the short time at its disposal cannot really consider the important matters which are referred to it. I should like for us to analyze our own activities and see whether or not we should have some change in the reference from the House and perhaps in the constitution of the committee. I should like to suggest to Mr. Vaughan, with the permission of the committee, that we would appreciate any suggestions he might have for us at our next sitting.

Hon. Mr. CHEVRIER: The committee can take as long as it wants to analyse the various reports put before it but the information my officers give me is that over the past number of years it has taken from two to three days to dispose of it because the committee can get rid of the work in that time. If the committee feels it wants to take a week I do not think there will be any objection from the officers of the Canadian National Railways or from the chairman. They are at the disposal of the committee.

Mr. JACKMAN: All I am suggesting is that this is a very important subject, and I am not quite sure whether or not we can be of very much use on it. I feel that this batting around on the reports we have to do—and I will not say hurrying through because we can take our own time—is not as useful an

occupation for us as it might be. I think more consideration should be given to the situation. I am not sure that any improvement can be made but I feel a certain futility.

Hon. Mr. Chevrier: Do you not think that would be a subject for discussion when the motion is made setting up the committee?

Mr. JACKMAN: The House is a very formal body. I think Mr. Vaughan might have some suggestions for us.

Hon. Mr. CHEVRIER: As I see the thing we are bound by the reference from the House of Commons.

Mr. JACKMAN: Yes, but what I am suggesting is if we have some recommendations to make to them they might change the terms of the reference.

Hon. Mr. CHEVRIER: I am sure if Mr. Vaughan has any suggestions he will be glad to pass them on to the chairman or to the minister.

Mr. JACKMAN: I am not suggesting that he do it now.

Mr. VAUGHAN: Between now and the time the committee meets in March you would like us to give it some consideration.

Mr. JACKMAN: Yes.

Mr. MUTCH: If that is settled I move we adjourn.

The VICE CHAIRMAN: Before we adjourn it was said this morning that we might meet on Tuesday on T.C.A. Since then I understand from the minister that it has been tentatively arranged that we would have Mr. Symington here on that day. That is, he will be available if we decide that is the time. Shall we adjourn until Tuesday at 11 o'clock for the purpose of taking up the T.C.A. report?

Mr. JACKMAN: Whenever we set the time it is going to interfere.

Hon. Mr. CHEVRIER: Anything we do will interfere with something.

Mr. JACKMAN: It is an inconvenient time but I will not say it is any more inconvenient than some other.

Hon. Mr. CHEVRIER: We are all in the same position.

The VICE CHAIRMAN: Tuesday morning at 11 o'clock.

The committee adjourned at 6.15 p.m. to meet again on Tuesday, October 30, 1945, at 11 o'clock a.m.

APPENDIX "A"

CANADIAN NATIONAL RAILWAYS

NET OPERATING REVENUE BY REGIONS, ETC.—YEAR 1944

	Revenues	Expenses	Net
Canadian Lines			
Atlantic Region	\$ 52,268,828	\$ 49,670,625	\$ 2,598,203
Central Region	186,441,170	130,176,727	56,264,443
Western Region	136,076,849	85,701,640	50,375,208
Common Expenses—such as depreciation, general administration and provision of reserves		41,393,275	41,393,275
Express, excluding railway proportion of revenue included above	9,800,894	9,763,916	36,978
Commercial Telegraph Department	6,998,161	6,629,431	368,730
Total	391,585,902	323,335,614	68,250,288
U. S. Lines	49,561,608	39,211,429	10,350,179
System	\$441,147,510	\$362,547,043	\$ 78,600,467

APPENDIX "B"

BUDGET OF CAPITAL EXPENDITURES FOR ATLANTIC REGION—YEAR 1945

	Quebec	N.B.	N.S.	P.E.I.	General	TOTAL
New rails and fastenings— various subdivisions	\$ 528	\$ 43,431	\$ 986			\$ 41,917
Relaying with part worn or second hand rail-various sub-divisions	27,399	9,907	7,855	4,915		50,076
Relaying with part worn or second hand rail-passing and yard track and business sidings					13,931	13,931
Tie plates					28,020	28,020
Rail anchors					77,920	77,920
Rock and washed screened gravel ballast	86,000	113,990	53,540			253,530
Slag ballast			20,400			20,400
Widening cuts and fills.....	5,000	20,000				25,000
Rip-rap	50,000					50,000
Tile and wooden base and other drainage	15,025					15,025
Improvements to roadway — Bathurst		525				525
Right-of-way fence and cattle guards including planting of trees and hedges in lieu of fencing		10,565				10,565
Other tracks, yard tracks and public business sidings	15,180	36,175	8,300			59,655
Passing tracks		930			5,490	6,420
Provision for traders and in- dustrial tracks					35,000	35,000
Roadway machines and road- way small tools		14,500	1,060		112,934	128,494
Roadway miscellaneous		3,300				3,300
New steel bridges or replace- ment with concrete or steel bridges	14,300	7,575	25,230	54		47,159
Culverts		3,500				3,500
New timber bridges and trestles including replace- ments	1,160	58,380	3,300			62,840
Improvements to bridges		1,000	370		511	1,881
Protection of grade and high- way crossings					10,000	10,000
Stations and shelters — new and replacements	18,560		2,430			20,990
Stations and shelters — Betterments	6,870	605	6,000			13,475
Freight sheds — Betterments			2,900			2,900
Section dwellings and bunk houses	5,509	1,375				6,884

RAILWAYS AND SHIPPING

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	Quebec	N.B.	N.S.	P.E.I.	General	TOTAL
Platforms	685	3,880	1,288	1,008		4,285
Buildings — new and replacements		44,400				44,400
Express facilities		4,905	6,076			10,981
Water supplies		2,541	700			1,841
Fuel stations			3,000	4,500		7,500
Turntables		5,440				5,440
Ashpits			4,150			4,150
Enginehouse and machine shops		12,500	9,750			22,250
Locomotive and car shop buildings		32,416				32,416
Automatic block signals and interlocking plants		20,005	19,246			39,251
Shop machinery tools and equipment		47,816	900	5,760	34,000	88,476
Purchase of land					3,000	3,000
Provision for completion of 1944 projects		60,722	900		97,763	159,385
General contingency fund....					90,000	90,000
Provision for retirements....					170,000	170,000
Stores Dept-buildings and equipment		2,250				2,250
	<u>\$ 245,160</u>	<u>\$ 557,551</u>	<u>\$ 173,833</u>	<u>\$ 16,237</u>	<u>\$ 338,569</u>	<u>\$ 1,331,350</u>

APPENDIX "C"

INCOME STATEMENT—YEARS 1929-1944

Canadian National (West Indies) Steamships Ltd.

	16 Years to Dec. 31/1945
OPERATING REVENUE	
Freight	\$ 52,307,957 75
Passenger	12,303,361 15
Subsidies	3,273,096 47
Other Revenue	934,960 44
Charter	2,095,510 95
Total	<u>\$ 70,914,886 76</u>
OPERATING EXPENSES	
Closed Voyages	58,993,309 90
Lay-up Expenses	49,986 74
Management and Office Salaries.....	1,737,932 37
Rents, Taxes and Insurance.....	144,385 52
Travelling Expenses	74,611 93
Printing and Stationery.....	35,427 37
Advertising	580,326 88
Postage, Cables and Telegrams.....	90,557 26
Office Supplies and Expenses.....	294,475 81
Pensions	84,774 53
Miscellaneous	46,249 92
Inauguration Expenses	113,647 06
Interest and Exchange.....	105,941 34
Total Expenses	<u>\$ 62,351,626 63</u>
Operating Profit or Deficit.....	\$ 8,563,260 13
Interest on Bonds held by Public.....	6,958,611 12
Exchange on U.S. Funds.....	275,733 34
Other Interest due Public.....	505,411 15
Amortization of Discount.....	77,362 00
Surplus or Deficit.....	<u>\$ 746,142 52</u>
OTHER CHARGES	
Amortization of Discount.....	.....
Interest due Government.....	4,190,615 86
Depreciation on Vessels.....	4,625,588 17
Net Income Deficit.....	<u>\$ 8,070,061 51</u>

APPENDIX D

For the information of the Committee:

The policy of Canadian National Railways with regard to accounting for depreciation of its properties is as follows:

Equipment

Prior to 1940 the practice was followed of charging to operating expenses the loss on equipment destroyed or worn out in service at the time the units were removed from service. In 1940, resulting from consideration of the probability that under war conditions retirements would be held to a minimum, and of the desire to have the accounts for each year bear their proportionate share of equipment retirement costs irrespective of the date of retirement, the Railway adopted depreciation accounting for rolling stock and floating equipment owned by its Canadian Lines, effective from January 1, 1940. Similar practice had been in effect on its lines in the United States for some time under the accounting regulations governing U.S. railways, so that the action taken in 1940 brought the method of accounting for equipment retirements throughout the system into uniformity with the standard practice followed by U.S. railways.

The depreciation rates made effective in 1940 were established on a conservative basis with the intention that they would be reviewed from time to time and adjusted as considered necessary in the light of subsequent experience. It was soon evident that due to the heavy demands of war-time traffic there was a rapid acceleration in depreciation and the provision in the accounts for depreciation was increased accordingly. This was accomplished by establishing the relationship of depreciation charges taken up in 1940 (the base year) to the traffic for that year and maintaining that relationship to the traffic for each of the years 1941 to 1944. Under this arrangement the depreciation charges expressed as a percentage of investment in equipment for the System have been as follows:

1940	1941	1942	1943	1944
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
2.64	3.12	3.85	4.31	4.16

Since under post-war conditions there will not be the same intensive use of equipment, it has been decided that effective January 1, 1945, Canadian National would make provision for depreciation by applying to its total investment in Canadian Lines equipment the average of the depreciation rates used by Class I Railways in the United States and a rate of $3\frac{1}{3}$ per cent of investment was adopted accordingly.

The procedure when equipment is retired from service is to charge to the depreciation reserve the loss on the units retired represented by the value at which carried in the investment account less salvage recovered. In the United States, where depreciation accounting for equipment has been practised for many years and substantial reserves are available, this charging of the entire loss to the reserve is unlikely to result in any considerable depletion of the reserve in relation to the investment in respect of which it is provided. Obviously in the case of C.N. Canadian Lines, where depreciation accounting has been in effect for a relatively short period, the charging to reserve of the considerable amounts of past accrued depreciation (prior to 1940) could have a serious effect on the reserve created to provide for the depreciation which has taken place

since. It is therefore proposed that in 1945 and subsequently the proportion of loss on equipment retirements applicable to the period prior to January 1, 1940, shall be dealt with in the accounts as a capital loss and charged to the Proprietor's Equity Account (equivalent to a charge against profit and loss account in ordinary corporate accounting) and the proportion of loss subsequent to that date shall be charged to the depreciation reserve. This procedure would be on all fours with the practice followed by U.S. railroads when depreciation accounting was adopted by them i.e., the proportion of loss applicable to the period prior to the date depreciation accounting was adopted was charged to profit and loss account and the remainder was charged to the reserve account.

Fixed Property

Under the accounting regulations governing U.S. railways depreciation accounting for certain classes of fixed property became mandatory effective January 1, 1943. The classes of property include buildings, stations, shops, bridges, etc., but exclude the track structure (rails, fastenings, ties, ballast), the loss on retirement of which latter is charged to the appropriate accounts in operating expenses. Prior to 1943 the U.S. railways as a whole had strenuously opposed depreciation accounting for fixed property but their attitude was changed as a result of the sharp increase in corporate income and excess profits taxation under war conditions. The U.S. Lines of the Canadian National conformed to this accounting requirement, but on the remainder of the C.N. System retirement accounting which was followed by U.S. railways up to January 1, 1943, is still in effect. Under retirement accounting the loss on units of property retired from service is charged to operating expenses at the time the unit is permanently taken out of service. The decision not to adopt depreciation accounting for fixed property of C.N. Canadian Lines was based on the fact that the adoption of depreciation accounting for fixed railway properties constituted an important departure from a long established practice and the view that it was desirable to defer further consideration of the matter until the experience of U.S. railways became available. Another feature considered was the large amount of work on the part of technical officers of the railway that would be involved in compilation of the data necessary to enable its adoption, which it was felt should not be undertaken under the heavy demands made on railway personnel as a result of war-time conditions.

Attention is directed to the provision made in the accounts since 1940, in amount of \$34,000,000, for maintenance of fixed property and equipment which has had to be deferred due to the difficulties in obtaining labour and material. This sum includes provision for the loss chargeable to operating expense for fixed property the normal retirement of which may have been deferred under war conditions.

APPENDIX "E"

DEPARTMENT OF TRANSPORT
HUDSON BAY RAILWAY

Consolidated Income Account Fiscal Year 1944-45 and Fiscal Year 1943-44

	Fiscal Year 1944-45	Fiscal Year 1943-44
RAILWAY OPERATING REVENUES		
Freight	\$ 150,481 22	\$ 459,895 30
Passenger	42,074 39	110,045 23
Mail	3,654 22	5,204 96
Express	6,601 50	15,271 32
Telegraphs	21,704 54	27,066 42
All Other	21,713 25	30,458 67
Total Operating Revenues.....	\$ 246,229 12	\$ 647,941 90
RAILWAY OPERATING EXPENSES		
Maintenance of Way and Structures	\$ 396,331 54	\$ 371,855 57
Maintenance of Equipment	52,984 96	69,455 52
Transportation	216,307 65	329,546 91
Miscellaneous Operations	18,943 53	4,958 56
General	26,580 54	28,463 37
Total Operating Expenses.....	\$ 711,148 22	\$ 804,279 93
Net Operating Revenue.....	\$ 464,919 10	\$ 156,338 03
Taxes	\$ 3,684 38	\$ 3,010 42
Railway Operating Income.....	\$ 468,603 48	\$ 159,348 45
Equipment Rentals		
Hire of Freight Cars—Debit.....	\$ 31,058 97	\$ 67,350 73
Rent for Locomotives	43,965 25	77,825 04
Rent for Passenger Train Cars	4,807 86	15,822 73
Rent for Work Equipment	28,178 38	39,736 26
Total Equipment Rentals.....	\$ 108,010 46	\$ 200,734 76
Joint Facility Rents—Credit.....	\$ 11,510 00	\$ 12,010 00
Miscellaneous Rent Income—Credit.....	163 92	200 31
	\$ 11,673 92	\$ 12,210 31
Net Deficit	\$ 564,940 02	\$ 347,872 90

HUDSON BAY RAILWAY

RAILWAY OPERATING REVENUES AND EXPENSES

	Fiscal Year 1944-45	Fiscal Year 1943-44
RAILWAY OPERATING REVENUES		
Freight	\$150,481 22	\$459,895 30
Passenger	42,074 39	110,045 23
Baggage	447 94	624 12
Sleeping Car	3,081 35	6,749 70
Mail	3,654 22	5,204 96
Railway Express	6,601 50	15,271 32
Other passenger-train	283 69	293 32
Milk	206 16	641 61
Switching	600 60	4,000 00
Dining and buffet	1,238 90	1,172 22
Restaurants	11,019 95	.....
Station, train and boat privileges	688 58	673 33
Storage-Freight	25 14	70 05
Demurrage	131 16	3,743 06
Telegraphs	21,704 54	27,066 42
Power	541 63	7,561 00
Rents of buildings and other property	2,319 76	4,193 97
Miscellaneous	1,128 39	736 29
Total Operating Revenues	\$246,229 12	\$647,941 90

HUDSON BAY RAILWAY
RAILWAY OPERATING EXPENSES

	Fiscal Year 1944-45	Fiscal Year 1943-44
RAILWAY OPERATING EXPENSES		
Maintenance of Way and Structures	\$396,331 54	\$371,855 57
Maintenance of Equipment	52,984 96	69,455 52
Transportation	216,307 65	329,546 91
Miscellaneous Operations	18,943 53	4,958 56
General	26,580 54	28,463 37
Total Operating Expenses	<u>\$711,148 22</u>	<u>\$804,279 93</u>
Net Revenue	<u>\$464,919 10</u>	<u>\$156,338 03</u>

Maintenance of Way and Structures

Superintendence	\$ 30,057 24	\$ 32,117 52
Roadway maintenance	69,356 05	56,721 40
Bridges, trestles, and culverts	13,361 22	6,588 73
Ties	39,173 69	21,127 54
Rails	28 69	69 69
Other track material	1,180 31	1,613 62
Ballast	24,274 69	35,098 82
Track laying and surfacing	156,616 83	151,192 01
Fences, snowsheds and signs	151 46	70 59
Station and office buildings	9,253 18	6,257 64
Roadway buildings	2,843 56	1,842 59
Water stations	5,193 24	2,349 99
Fuel stations	1,207 89	73 42
Shops and enginehouses	1,195 72	1,462 53
Telegraph and telephone lines	7,855 60	7,233 72
Roadway machines	2,995 41	9,859 49
Small tools and supplies	13,048 56	14,721 17
Removing snow, ice and sand	19,925 48	17,033 13
Insurance	2,987 50	10,500 15
Stationery and printing .....	.....	87 95
Maint. jt. tracks, yards, etc., Dr.....	1,087 58	1,460 14
Maint. jt. tracks, yards, etc., Cr.....	5,462 36	6,010 00
Protective Services .....	.....	383 73
Total Maintenance of Way and Structures	<u>\$ 396,331 54</u>	<u>\$ 371,855 57</u>

Maintenance of Equipment

Superintendence	\$ 3,991 81	\$ 3,781 82
Shop machinery — Repairs	1,365 61	3,871 06
Power plant machinery — Repairs	16 78	2,098 74
Steam locomotives — Repairs	30,048 41	38,060 35
Freight-train cars — Repairs	1,126 69	2,724 47
Passenger-train cars — Repairs	8,790 41	3,067 53
Work equipment — Repairs	5,152 97	7,714 89
Insurance	943 42	3,355 54
Other expenses	1,548 86	4,781 12
Total Maintenance of Equipment	<u>\$ 52,984 96</u>	<u>\$ 69,455 52</u>

STANDING COMMITTEE

HUDSON BAY RAILWAY
RAILWAY OPERATING EXPENSES

	Fiscal Year 1944-45	Fiscal Year 1943-44
Transportation Rail Line		
Superintendence	\$ 22,037 03	\$ 20,461 56
Dispatching trains	4,408 60	12,721 85
Station employees	19,992 77	27,975 57
Station supplies and expenses	7,216 48	8,774 65
Yardmasters and yard clerks	238 77	4,174 85
Yard conductors and brakemen	55 83	4,718 89
Yard switch and signal tenders	15 63	96 24
Yard enginemen	44 50	3,382 78
Yard switching fuel .....	.....	7,257 47
Water for yard locomotives.....	.....	81 74
Other supplies for yard locomotives.....	33 41	261 90
Enginehouse expenses—Yard .....	.....	795 85
Yard supplies and expenses.....	31 06	130 02
Operating joint yards and terminals—Dr.	11,627 48	12,867 63
Train enginemen	16,769 17	26,814 92
Train fuel	51,278 43	90,065 00
Water for train locomotives.....	28,170 99	30,371 13
Lubricants for train locomotives.....	81 57	196 65
Other supplies for train locomotives.....	44 54	197 56
Enginehouse expenses—Train	8,411 73	13,023 42
Trainmen	23,388 24	34,912 60
Train supplies and expenses.....	20,234 99	26,994 39
Operating sleeping cars.....	1,179 78	1,232 03
Drawbridge operation	116 36	83 37
Stationery and printing.....	683 95	797 06
Clearing wrecks	31 27	781 27
Loss and damage—Freight.....	304 15	376 51
Total Transportation Rail Line.....	\$ 216,307 65	\$ 329,546 91
Miscellaneous Operations		
Dining and buffet service.....	\$ 1,863 89	\$ 1,906 10
Restaurants and Boarding Cars.....	16,402 45	2,224 16
Producing power sold.....	677 19	828 30
Total Miscellaneous Operations.....	\$ 18,943 53	\$ 4,958 56
General		
Salaries and expenses of general officers.....	\$ 12,000 00	\$ 12,766 00
Pensions	14,580 54	15,697 37
Total General	\$ 26,580 54	\$ 28,463 37

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Canada - Airways and
Shipping Act, 1945

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SESSION 1945
HOUSE OF COMMONS

STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

TUESDAY, OCTOBER 30, 1945

WITNESSES:

- Mr. H. J. Symington, C.M.G., K.C., President, Trans-Canada Air Lines;
Mr. W. F. English, Vice-President, T.C.A.;
Mr. T. H. Cooper, Comptroller, T.C.A.

ERRATA

Mr. T. H. Cooper, Vice-President and Comptroller of Canadian National Railways, was inadvertently shown in previous issues of the Minutes of Proceedings and Evidence as Comptroller of the Canadian National Railways.

ORDER OF REFERENCE

MONDAY, 29th October, 1945.

Ordered,—That the following Bill be referred to the said Committee:—
Bill No. 21 An Act to amend the Trans-Canada Air Lines Act, 1937.

Attest

ARTHUR BEAUCHESNE,
Clerk of the House.

MINUTES OF PROCEEDINGS

TUESDAY, October 30, 1945.

ROOM 429

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government met this day at 11 o'clock a.m. Mr. S. Murray Clark, Chairman, presided.

Members present: Messrs. Clark, Beaudoin, Emmerson, Gibson (*Comox-Alberni*), Harkness, Harris (*Grey-Bruce*), Hazen, Jackman, Maybank, McCulloch, (*Pictou*), Mutch, Nicholson, Reid, Shaw.

Honourable C. D. Howe, Minister of Reconstruction, was also present and took part in the proceedings.

In attendance: Officers of Trans-Canada Air Lines: Mr. H. J. Symington, C.M.G., K.C., President; Mr. W. F. English, Vice-President; Mr. T. H. Cooper, Comptroller; Mr. W. S. Thompson, Director of Public Relations.

Auditors: Mr. O. A. Matthews and Mr. F. M. Stone of the firm of George A. Touche & Co.

Officials of the Department of Transport: Mr. C. P. Edwards, O.B.E., Deputy-Minister; Mr. R. H. Lang and Mr. A. B. Hopper.

The Committee considered the Annual Report of the Board of Directors of Trans-Canada Air Lines for the Calendar year 1944. Mr. H. J. Symington, President, was called and presented the report. Questions thereon were asked and were answered by Mr. Symington.

The discussion on the said report was adjourned to the next sitting.

At 1.55 o'clock p.m., the Committee adjourned to meet again this day at 4 o'clock p.m.

The Committee met again in the afternoon at 4 o'clock. Mr. S. Murray Clark, Chairman, presided.

Members present: Messrs. Clark, Beaudoin, Emmerson, Harkness, Harris (*Grey-Bruce*), Hazen, Jackman, Lockhart, Maybank, McCulloch (*Pictou*), Mutch, Nicholson, Reid, Shaw.

Honourable C. D. Howe, Minister of Reconstruction was also present and took part in the proceedings.

In attendance: The officers of Trans-Canada Air Lines, officials of the Department of Transport shown as in attendance at the morning's sitting with, in addition, Mr. G. Herring, of the Post Office Department.

The Committee resumed from the morning sitting consideration of the Annual Report of Trans-Canada Air Lines for the calendar year 1944.

Mr. Symington was further heard and was assisted by Mr. English and Mr. Cooper.

On motion of Mr. Reid the said Report was adopted unanimously.

At six o'clock p.m., the Committee adjourned to meet again at 4 o'clock p.m., Wednesday, October 31, 1945.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
October 30, 1945.

The Standing Committee on Railways and Shipping met this day at 11.00 o'clock a.m. The Chairman, Mr. S. M. Clark, presided.

The CHAIRMAN: I think at the last meeting when we adjourned it was understood that we were to take up T.C.A. matters to-day. On the other items that we have dealt with the procedure that we used was to have the president read the report. Would it be in order to have Mr. Symington read the report this morning before going into the balance sheet, and so on?

Mr. REID: Agreed.

Mr. SYMINGTON:

TRANS-CANADA AIR LINES

MONTREAL, March 15, 1945.

To the Shareholders:

The board of directors submit the annual report of Trans-Canada Air Lines for the calendar year 1944.

In its seventh year of public service, Trans-Canada Air Lines continued to mature as an instrument of national development, while devoting its energies to the immediate requirements of a wartime economy. The period was one of intensive planning for a time when the air line will not only multiply its domestic services but also, as the sole Canadian agency designated by the government to operate international air services, extend its operations beyond the nation's frontiers.

At the British Commonwealth conference in Montreal and at the world conference in Chicago, where government representatives met to draft the future of world civil aviation, the company participated directly within the frame-work of the Canadian delegations. It is too early to assess the results of those discussions as they relate to T.C.A.'s activities, but the organization stands ready to accept whatever new responsibilities may be required of it.

Passenger, mail and express traffic was close to the capacity of the air line. There was a notable expansion in the Canadian government trans-Atlantic air service, an operation conducted by the company for the primary purpose of transporting mail to and from Canada's armed forces overseas and of transporting essential and critical war materials. Work performed for the Royal Canadian Air Force and the British Overseas Airways Corporation was substantially increased during the year.

In July, flights were rerouted in the maritime provinces to bring main line operations closer to the New Brunswick cities of Fredericton and Saint John. A direct service was also provided between Halifax and Sydney, Nova Scotia.

Trans-Canada Air Lines intends to increase both transcontinental and inter-city schedules as rapidly as the availability of necessary personnel and equipment will permit.

A direct operation between Winnipeg and Edmonton waits only upon the installation of airport and airway facilities along this route. The shortening of the transcontinental line by flight across the Great Lakes awaits equipment and airway facilities.

Plans for international flight, other than the present trans-Atlantic service, are still tentative; but the West Indies, South America and the Pacific are areas of admitted interest to the company. The newly agreed on T.C.A.-operated routes between Canada and the United States will be serviced as soon as war conditions permit, these lines being: Halifax-Boston, Toronto-Cleveland, Toronto-Chicago, Port Arthur-Duluth, Victoria-Seattle, and Whitehorse, Y.T.-Fairbanks, Alaska. The T.C.A.-operated route Toronto-New York has been in operation since 1941.

Following the decision of the Canadian government to undertake the manufacture in Canada of a Douglas DC-4 type of four-engined aircraft engineered to meet special requirements, Trans-Canada Air Lines, as the intended user of the equipment, has maintained close liaison with the manufacturer and its designers.

In 1944 the number of passengers carried increased by 12%, air express volume by 4% and air mail volume by .3%. The growth was not as great as in former years, but had the company possessed the equipment and personnel, more traffic could have been handled.

	RESULT OF OPERATIONS	
	1944	1943
Operating Revenues	\$10,314,941	\$ 9,379,501
Operating Expenses	10,070,807	8,974,902
	<hr/>	<hr/>
Income Charges and Interest on Capital	\$ 244,134	\$ 404,599
Invested	236,725	256,710
	<hr/>	<hr/>
Surplus	\$ 7,409	\$ 147,889

Operating revenues totalled \$10,314,941, an increase of \$935,440 or 10% over the previous year. Passenger revenues increased \$243,168 or 6%; mail revenues increased \$286,588 or 8%; express revenues decreased \$3,848 or 1%; revenues from incidental services increased \$419,331 or 33%. The 1944 rate of compensation received from the Post Office Department for the carriage of air mail was 42.03 cents per plane mile flown, as compared with 42.90 cents in 1943, 45.57 cents in 1942, 48.16 cents in 1941, and 60 cents in 1940. Mail revenue contributed 37% of the total revenue, as compared with 37% in 1943, 44% in 1942, 53% in 1941 and 62% in 1940.

Operating expenses totalled \$10,070,807, an increase of \$1,095,905 or 12% over the preceding year. Principal factors here were the cost of additional traffic and services, increased cost of labour and materials, a major programme of aircraft and flight equipment overhaul, and development in preparation for expanding operations.

After the payment of interest on the company's capital and other income charges the surplus for 1944 was \$7,409.

ROUTES AND SERVICES

At December 31, 1944, Trans-Canada Air Lines (exclusive of the trans-Atlantic operation) was providing service—air mail, passenger

and express—over routes totalling 5,299 miles between the Atlantic and the Pacific seaboards. This was an increase in route mileage of 396 miles as compared with December 31, 1943. The routes now operated are as follows:

	Miles
Halifax-Victoria (via Moncton and Toronto)	3,303
Halifax-Sydney	201
Halifax-Blissville	172
Moncton-St. John's, Nfld	751
New York-Toronto	365
Toronto-Windsor	206
Lethbridge-Edmonton	301
	<hr/>
	5,299

Daily scheduled miles flown amounted to 26,264 at December 31, 1944, as compared with 25,872 at the close of 1943, an increase of 392 miles. During the year, 10,034,805 miles were flown, as compared with 8,963,786 in 1943, an increase of 1,071,019 miles.

On July 1, one round flight that had previously moved between Montreal and Halifax via Moncton was rerouted to pass through Blissville, New Brunswick, an airport accessible by highway to both Saint John and Fredericton. This action was designed to bring main line operations as close to the two cities as is at present possible. Neither yet possesses the airport facilities to permit local T.C.A. stops.

Also, on July 1, daily flights linking Halifax and Sydney were inaugurated.

Atlantic Service

With the provision of additional Canadian-built Lancaster aircraft in 1944, the Canadian government trans-Atlantic air service was able to accelerate its carriage of mail to and from the armed forces overseas and of priority passengers and freight. Over one million pounds of mail were carried during the year. To cope with the expanded schedules it was necessary to enlarge maintenance staff and facilities at the Montreal terminal and to increase the number of flightcrews. A standard T.C.A. meal service was provided for passenger comfort. Over a direct route of approximately 3,000 miles between Montreal and Great Britain, operational frequency is three round trips weekly at present. More aircraft will enter the service and schedules will be further developed.

Passenger Service

Revenue passengers carried by Trans-Canada Air Lines, apart from the Atlantic service, numbered 156,884 in 1944, as compared with 140,276 in 1943, an increase of 16,608 or 12%. The average passenger journey was 538 miles, as compared with 560 miles in 1943.

Passenger revenue per revenue passenger was \$28.41 and per revenue passenger mile 5.28 cents, as compared with \$30.04 and 5.37 cents respectively in 1943.

Air Mail Service

The volume of air mail carried by Trans-Canada Air Lines in 1944, apart from the Atlantic service, was approximately the same as in 1943. During the year, 3,739,105 pounds of mail were moved as compared with 3,726,607 pounds in 1943. Mail revenue per pound mile was 1.08 mills, the same as in 1943.

Air Express Service

Pounds of air express carried increased from 821,606 in 1943 to 856,016 in 1944 but the average haul was shorter. The carriage of cargo by air continued to be vital to the nation's war effort.

Airway Facilities

Despite wartime scarcity of labour and materials, the Department of Transport continued throughout 1944 to improve the runways, field facilities, airport lighting and navigational aids required for the safe and scheduled conduct of air operations.

PROPERTY AND EQUIPMENT

The company's plant and equipment have been well maintained and are in good condition.

Flight equipment (exclusive of the Canadian government aircraft used in trans-Atlantic Service), as of December 31, 1941, consisted of:

Twelve Lockheed 14-08 aircraft, equipped with two Pratt and Whitney Twin-row Wasp engines, each of 1200 horsepower.

Fourteen Lockheed Lodestars, equipped with two Pratt and Whitney Twin-row Wasp engines, three of which were purchased in August.

A heavy programme of major overhauls was carried out in accordance with the company's policy of keeping all T.C.A. aircraft at the height of operating efficiency.

New flight procedures were adopted after extensive surveys and studies with a view to reducing fuel consumption and prolonging the life of equipment.

With modification of the Lodestars' heating systems completed, a similar programme was extended to the 14-08 aircraft.

At Winnipeg the company occupied a new building, a hangar and an office annex. These provided much-needed additional accommodation for the company's operations headquarters.

An extension to the Moncton hangar, completed in 1944, doubled the floor space.

The first frequency-modulated radio circuit to be applied to commercial operations in Canada was installed by the company between Vancouver and Victoria. Two-way voice contact is provided, with the simplest of operation and without static.

For the better servicing of passengers, T.C.A. ticket offices were established in Moncton, Lethbridge, Saint John and Sydney.

To effect an improvement in reservations service, the western reservations control office was moved from Winnipeg to Edmonton. The Atlantic reservations control office was transferred to new and enlarged Halifax premises.

PERSONNEL

As of December 31, 1944, 263 male employees and 16 female employees of Trans-Canada Air Lines had enlisted in the armed forces. Of these, 14 had lost their lives.

Total personnel of the company, as of December 31, 1944, was 2,790. Women comprised 33% of all employees engaged in the domestic services, as compared with 35% at the end of 1943. Thus, for the first time since the outbreak of war, the proportion of female employees showed a decrease. Women continue to perform with efficiency many duties within

dispatch and station service were furnished for the operations of the company, but they are being gradually replaced by men released from the air force and other services.

As a result of its agreement with the R.C.A.F., the company continued to receive air force flight personnel who had completed their tours of operational duty overseas. For these men, T.C.A. conducted six training classes during the year and thirty-eight pilots graduated and were posted to T.C.A. service. The programme will continue at an accelerated pace.

Instruction is also being carried on by T.C.A. of discharged air force personnel as radio operators, dispatchers, station and traffic agents and in other capacities.

SPECIAL WAR ACTIVITIES

At Montreal, a large T.C.A. staff continued to maintain, service and convert the Liberator aircraft employed by British Overseas Airways Corporation on the north Atlantic return ferry service, as well as the aircraft of the Canadian government transAtlantic air service. Increased frequency of operation by both of these services in 1944 made it necessary to procure and train additional personnel. There were 553 employees engaged in this work at Montreal at December 31, 1944, as compared with 286 at December 31, 1943.

War contract work in the Winnipeg shops included overhaul of military aircraft, engines, propellers, instruments and accessories. With the close of the commonwealth air training plan this work has now been terminated.

T.C.A. facilities were, throughout the year, placed at the disposal of military aircraft in need of servicing. In particular, radio coverage, dispatch and station service were furnished for the operations of the R.C.A.F. communication squadrons.

THE STAFF

The directors again record their appreciation of the loyal and efficient services of the company's officers and employees, who have made it possible for Trans-Canada Air Lines to continue its vital services to the nation at war. They record their pride in the devotion and battle achievements of the members of the staff in the fighting forces. To the families of those who have lost their lives in the service of their country they extend their deep sympathy.

Then follows the balance sheet and the expense items which I suppose you want to discuss rather than read, Mr. Chairman?

The CHAIRMAN: That is right. Gentlemen, have you any general questions to ask Mr. Symington before we go into the detailed financial reports?

Mr. REID: If you will go back to page 5 there are some questions I should like to ask Mr. Symington. In the third paragraph it speaks of the British Commonwealth conference in Montreal and the world conference in Chicago. How many countries attended the world conference? How many countries were represented?

Mr. SYMINGTON: In Chicago?

Mr. REID: Yes.

Mr. SYMINGTON: Fifty-three.

Mr. REID: May I ask if Russia was represented?

Mr. SYMINGTON: Russia was not represented. They had representatives there but they were not members of the conference. Russia, as you know, proceeded as far as Winnipeg and turned back, but they sent observers there. I saw a good deal of them, including their reporters, and in reporting that conference they sent two million words direct to Russia relative to the conference, but they were not members of it.

Mr. REID: This has nothing to do with the question but one is always afraid to ask any question about Russia in case he be called anti-fascist. There has developed in this country a feeling on the part of some people that if you ask any questions about Russia you are against it, but I am interested in Russia because I understand that no planes are allowed to land there?

Mr. SYMINGTON: That is correct.

Mr. REID: I am wondering if the same concession is granted her by other countries and why she refuses. If there is going to be co-operation there should be co-operation all around.

Mr. SYMINGTON: There are only two ways in which, as at present advised, they can fly into other countries. Either they come into the conference, sign the convention, get the rights that every nation gets and give the rights that every nation gives or else they must enter into a bilateral agreement between themselves and any other country. Perhaps I am getting out of my sphere but I would assume that no country would agree to let Russia fly in unless Russia agreed to let other country fly in, but that is the position at the moment. They have rights in no country and no country has rights in their country.

Mr. SHAW: Did Russia give any specific reason for not participating officially?

Mr. SYMINGTON: They gave no reason whatsoever.

Mr. SHAW: And there has been no follow-up information that might indicate the reason for it?

Mr. SYMINGTON: I think everybody has been trying to find out. I think there probably have been discussions in state departments and that sort of thing, but so far as I know no reason has ever been given.

Mr. HARRIS (*Grey-Bruce*): Do I understand you to say they have not entered into an agreement with any country at all?

Mr. SYMINGTON: That is my understanding.

Mr. HARRIS (*Grey-Bruce*): Since the Chicago conference?

Mr. SYMINGTON: They are not flying into and no foreign country is flying into their country.

Mr. JACKMAN: As a result of this conference in Chicago, and I suppose the present conference in Montreal, what more does Canada want that we have not got yet by international agreement?

Mr. SYMINGTON: When you ask me what Canada wants I do not know. I know what I want, and that is that the points, which were very narrow, upon which we failed in Chicago to bring about what was to my mind the finest of achievements by getting a universal convention of these nations, should be cleared up. We missed out by reason of a very narrow difference between two countries of which I need not speak. I thought those two countries stood to gain more than any other but at any rate they could not quite reconcile their differences.

Mr. JACKMAN: That is in regard to this escalator clause?

Mr. SYMINGTON: Partly the escalator clause; the escalator clause combined with the fifth freedom. The result was that they formed a provisional conference which is now permanently situated in Montreal with instructions that they should

consider a permanent convention and make reports upon it to the assembly when it meets. That is what they are doing. My view is that they should complete the convention as they think it ought to be irrespective of whether it will pass one parliament, one congress, or another, that they are representing the world, not each country, and that they should prepare a convention that they think is right. Then let any nation stand at the bar of public opinion and reject it or accept it, but whether that is too high a hope I do not know. They are working on it.

Mr. JACKMAN: The members attending this conference in Montreal are all government representatives, not representatives of private companies?

Mr. SYMINGTON: Quite so, but it is a permanent organization. It is really not a convention in Montreal. It is a permanent organization. These people are twelve months of the year people. There is a council of twenty representing the world.

Mr. JACKMAN: Are they in continuous session?

Mr. SYMINGTON: Continuous session, yes, and they have sub-committees of all sorts of a technical character because they have got a very big job to do.

Mr. JACKMAN: There will be twenty representatives of other countries permanently resident in Montreal for the purpose of discussing aviation matters as they arise. Is that the understanding?

Mr. SYMINGTON: Not only discussing; there is what is called a provisional convention now under way which has a lot to do with any air line which operates internationally. They have not got any teeth to control frequencies or rates.

Mr. JACKMAN: But there is enough work to do? The field is so big that it requires their permanent attendance?

Mr. SYMINGTON: Yes, and it will grow. I suppose there are only perhaps two hundred people there now and I should say that there will be a thousand without any question.

Mr. JACKMAN: It is a big show, is it not?

Mr. SYMINGTON: It is a big show, yes. The air is a big show.

Mr. JACKMAN: If Canada is to consider going into the international field, particularly the trans-Atlantic service, I wonder if you would explain to the committee this provision which I read something about in a little booklet published by Wartime Information Board entitled "Canada and International Civil Aviation." I understand that once a line is operated to 65 per cent of capacity then it may apply to put on additional planes. Is that the way it works?

Mr. SYMINGTON: That is one of the points that was not settled. There is no convention about that yet. The way we will run on the North Atlantic is that unless they do get a multilateral convention we will sit down with England bilaterally and arrange whether each shall have 5, 10, 20 or 100 frequencies. If we provide the means for increasing it it will have to be by bilateral agreement with Britain unless we get a universal convention.

Mr. JACKMAN: We cannot increase our planes on the service to Great Britain unless we accord a similar privilege to Great Britain to increase her planes. That is what you mean by a bilateral agreement?

Mr. SYMINGTON: I would not say that is the result but the minds must meet on an agreement. Britain might say, "Yes, you can run 20; we will only run 5." I do not know what they will do, but the minds must meet because now we have no right to land there unless they let us and they have no right to land here unless we let them.

Mr. JACKMAN: The right to land and to discharge and perhaps pick up passengers refers not only to a general right but also to the number of planes that may land and pick up?

Mr. SYMINGTON: We have all signed a two freedom agreement which means that if a plane is in trouble or has to land for gas it can land, or they can fly over your country but they have no commercial rights whatsoever. There are no commercial rights whatsoever as between one country and another at this moment. Commercial rights consist of what were termed a number of freedoms, one to seven. They all have agreed on the first two. As to the balance, which are commercial rights, there is no agreement on them at all, except there is recommended a standard form of bilateral agreement in which, among other terms, they agree that they will not endeavour to bar any other country or any other line, that everybody must be treated the same. Some people use the standard agreement; some people use it with some changes required for the particular state of existing affairs, and some do not use it at all. They use one of their own, but as far as your question is concerned for us to pick up or put down passengers in Britain or for Britain to pick up or put down passengers in Canada there are no rights at the moment. What the rights will be is a meeting of the minds of the British government and the Canadian government in a bilateral agreement that will settle all the terms, whatever they may be, that the two parties want to settle.

Hon. Mr. HOWE: It does not necessarily mean there will be no agreement on frequencies. For instance, we have made a bilateral agreement with the United States. Certain routes have been allocated to each country, and each can fly as many frequencies as they like.

Mr. HAZEN: What do you mean by "frequency?"

Hon. Mr. HOWE: So many planes a day.

Mr. JACKMAN: Are there any other countries besides Russia which are not parties to the convention where they might interfere with our future plans? For example, if we had a Pacific service we might want to use the northern route and have rights in Russia. In regard to the other routes contemplated, the Atlantic and South America routes, are all the countries where we might need a landing field parties to the convention?

Mr. SYMINGTON: Yes.

Mr. JACKMAN: Russia is the only hold-out at the moment?

Mr. SYMINGTON: The only one I recall. Enemy countries, of course, were not allowed in. They only get in under certain terms, but they are not in now. Italy, Germany, and so on, are not in.

Mr. REID: A person going to Russia must go by Russian plane if they are flying?

Mr. SYMINGTON: He cannot go at all.

Mr. JACKMAN: You would be undesirable.

Mr. SYMINGTON: You might go in by train and you might fly in Russia by a Russian plane but you cannot fly in from any other country now except it is a special trip arranged through the state department, but at the moment nobody can buy a ticket into Russia.

Mr. REID: In other words, it is a closed country.

Mr. SYMINGTON: It is a closed shop at the moment.

Mr. HARKNESS: In the second paragraph you say:

"The period was one of intensive planning for a time when the air lines will not only multiply its domestic services",

and so on. What are your plans for multiplying domestic services in the immediate future?

Mr. SYMINGTON: Our plans for multiplying domestic services in the immediate future are first, I think, a fourth trans-continental flight from ocean to

ocean, a line through Winnipeg to Edmonton via Saskatoon which may go on to the coast. Remember, when I talk about these things I am only telling you what I have in mind. I cannot get these things unless the Minister for Air and the Postmaster General recommend them to council and council passes them. Otherwise, I cannot do anything about them. But the character of the routes that I visualize in main line operation in Canada are those lines, plus a line from Montreal down the lower St. Lawrence to St. John, because I feel that there are centres of population in the older sections down there—Riviere-du-Loup, Mont Joli, Rimouski—which are entitled to air access. There may be one or two others as developments go. Then, of course, we hope to fly, under what we think is a fairly long-headed agreement we have made with the United States—we have got the right to fly into their distribution centres where airlines meet. We want to put these services in, not only for bringing more people into this country from the points where American airlines concentrate, but we hope as well to develop traffic for our service across the north Atlantic and across the Pacific; that is what we would like to do. That is what we have in mind. As to when; it has been simply impossible up to this minute to get planes. We are now converting war planes into commercial planes. It is a tough job but it is the only way which we will get planes.

Mr. HARKNESS: What kind of planes are you using?

Mr. SYMINGTON: We have three C49's which were transports, DC3's—we now can only get C47's which are a cargo version of the DC3's. We are converting and hope to convert a considerable number of these types almost immediately, and to have them coming off the line we hope fairly regularly, so that we can put them on the line once the airfields are ready on the routes I mentioned, plus our routes into the United States and into Alaska.

Mr. HARKNESS: And I suppose work is being done on the domestic lines now; for instance, the one from Winnipeg through Saskatoon to Edmonton, and the one along the lower St. Lawrence?

Mr. SYMINGTON: And the additional trans-continental line, yes; that is about what I envisaged as mainline operation for Trans-Canada, and that is all I am interested in.

Mr. NICHOLSON: What about the line from Toronto to Sault Ste. Marie and Fort William?

Mr. SYMINGTON: Yes, there is that one. We will cut off a considerable distance by flying across the lakes and at the same time serve Sault Ste. Marie and the cities at the head of the lakes; and when traffic justifies it, which I think it will almost immediately, we will fly directly across Montreal-Ottawa to Winnipeg, instead of turning down to Toronto and running from there across the lakes. By flying direct from Montreal to Ottawa to Winnipeg we would save a jog of from 190 to 200 miles, just by that change.

Mr. NICHOLSON: How soon will that service be ready?

Mr. SYMINGTON: I do not like to make any promises about that. We are ready but it is a matter of airfields and communications.

Mr. HAZEN: Did I understand you to say that you could not pick up and put down passengers in Great Britain and that Great Britain could not pick up or put down passengers here at the present time?

Mr. SYMINGTON: At the present time we are running what is known as a military operation.

Mr. HAZEN: Yes, I know.

Mr. SYMINGTON: Apart from that, Trans-Canada as a commercial airline is not doing it. We are simply conducting an operation for the Canadian government; we merely carry people they tell us to carry, whom they want us to carry, and the freight they want us to carry. It is recognized military operation. There is no commercial operation between Britain and Canada to-day.

Mr. HAZEN: Will that condition have to be changed within the near future?

Mr. SYMINGTON: Oh, undoubtedly; I should think both countries are very anxious to meet and will meet to try and arrange a bilateral agreement.

Mr. HAZEN: Has any time been fixed for such meetings?

Mr. SYMINGTON: That is a matter between the two governments.

Hon. Mr. HOWE: Yes, meetings have been arranged.

Mr. NICHOLSON: I have three or four questions I wanted to ask, but before I ask them I would like to refer to a part of the last paragraph in your report in which you express appreciation of the loyal and efficient service of the company's officers, etc. Having used the T.C.A. service to a considerable extent I want to endorse those sentiments. I would like to inquire about the service in the east. I understand you have two planes flying over Charlottetown every day of the year to Moncton and Sydney, and in view of the very unsatisfactory transportation conditions into Prince Edward Island I wonder if consideration has been given to having the T.C.A. planes stop at Charlottetown. I know that the Maritime Central Airways are giving a very good service; it is very difficult to get reservations on their ships; and in view of the fact that your planes are passing over and that Prince Edward Island is a very important part of Canada, I think they might be linked directly with T.C.A.

Mr. SYMINGTON: All I can say is that we have not been asked to do it. Certainly we do fly over on the way to Newfoundland; and I believe you are right, that people are having difficulty in getting seats on the planes going across to Charlottetown. Of course, we do fly planes over the Island, as I said, to St. John's, Newfoundland, but that was established as and was required because of extensive war operation, flying direct to Newfoundland. We had to fly a service of that kind.

Mr. McCULLOCH: They are getting very good service into Charlottetown.

Hon. Mr. HOWE: Yes, and it is planned to expand that service to take care of Charlottetown. That is a point that needs to be well taken care of.

Mr. McCULLOCH: I understand that Maritime Central Airways have two or three planes carrying passengers. I think one of them carried 10 passengers and the others carry 6 passengers each.

Hon. Mr. HOWE: And they are getting some better planes too.

Mr. McCULLOCH: I know that they are always pretty well filled up.

Hon. Mr. HOWE: Yes.

Mr. NICHOLSON: How about the service between Fredericton and St. John? You have to drive as far as 30 or 40 miles there to get to the airfield.

Mr. SYMINGTON: That is the service of which we are not so proud, but we cannot help it. Any airline that has to operate in foggy country, where the passengers have to drive 50 miles, cannot be satisfactory. It is costing us a lot of money. We lose on it because you may get ready and drive out all the way to the airport and find that the plane is down and you cannot fly. It is a most unsatisfactory service, but it does give mail service, and those who want to take a chance on the traffic do get service. However, it is a thing about which nothing can be done.

Mr. NICHOLSON: Is there any chance for improvement in the near future?

Mr. SYMINGTON: Not unless, as I say, they can find an airfield in the vicinity, which they seem to have great difficulty in doing, which will allow us to land closer.

Mr. HAZEN: Might I ask you there about the proposed landing field at Clover Valley, I think it is called? What is the position at the present time so

far as T.C.A. is concerned? I understand that the municipality has expropriated the land and acquired property for a field in the belief that the T.C.A. would use it.

Mr. SYMINGTON: I can only say this. We have nothing to do with getting fields; that is a matter for the department. Of course, when a field is furnished we will be only too glad to go in there. We do not furnish these airfields. The Department of Transport does that, or the municipality—whatever the agreement happens to be. We are not in the airfield business at all. Certainly if an airfield is provided the T.C.A. will land there.

Mr. REID: There are one or two questions on page 1. I notice in the third last paragraph you speak about plans for international flight, other than the present trans-Atlantic service, and you say that they are still tentative; and you go on, "but the West Indies, South American and the Pacific are areas of admitted interest to the company." I was wondering what research or investigation you had made insofar as the Pacific areas are concerned?

Mr. SYMINGTON: We have given a great deal of study to these routes. I might state quite frankly to this committee that I believe they will be losers for some time to come and require financial aid. We would prefer to run to Australia and New Zealand via Fairbanks, China, India and Australia, or I should say China-Australia. But that is now not open because of Russia. Therefore we expect to land at Hawaii and on down to Australia and New Zealand under a joint agreement with Australia and New Zealand. That operation depends upon when you can get the equipment with which to run it. Because they are long hops you have got to be sure that you have the proper equipment. What the financial result will be I cannot prophesy at all. It depends upon how many people are going to travel and how much mail is carried, but I would not want to invest my money in it, if I had any to invest.

Mr. REID: You are reserving this field for the future I suppose.

Mr. SYMINGTON: Of course, there are trade connections, prestige, and that sort of thing involved which will probably command that certain lines be run. But do not make any mistake about it—I hope I am not too pessimistic—for some time these lines will not, in my opinion, produce a return.

Mr. HAZEN: Would you conduct international lines which do not pay?

Mr. SYMINGTON: We will naturally conduct such international lines as the government tell us to, because they are our bosses.

Mr. JACKMAN: These external lines, apart from the ones going down into the United States, do not carry much hope of a commercial return, as you see it?

Mr. SYMINGTON: I think the north Atlantic run will; I think it will come reasonably close to it. I think the north Atlantic will give a return because, it is by all odds the big traffic area. I think also that traffic on the West Indies-South American route will increase more quickly than it will in the Pacific, unless we get a right to go through Russia-China. That is the route which I think traffic might go up. But to hop 3,000 miles to Hawaii from Canada and hop from there to Australia, makes it a rather difficult proposition to expect to make any money on, I think.

Mr. JACKMAN: I would say so.

Mr. REID: Have you surveyed the possibilities of routes between the Pacific and South American countries?

Mr. SYMINGTON: The west coast?

Mr. REID: Yes.

Mr. SYMINGTON: No. We have surveyed them to this extent, that we have surveyed all the territories and what the travel between countries is likely to be and so forth, what the freight return might be, and what the populations of the

countries are and what the standard of living is. You can get a great population with standards of living of a kind that they cannot fly and do not fly because they have no money to fly with and that makes it a pretty tough proposition. These countries have services which are somewhat similar to what we know as bush lines in our north country at the moment—Costa Rica, Salvador, etc.—you get into a plane there and you may have a cow next to you, and you do not have a nice stewardess to wait upon you. The operation is a practical operation designed to meet the conditions of the country in which the operation is taking place; but it is not what is known as a high-grade airline operation, although it does meet the requirements of the country.

Mr. REID: I have just one other question relating to the operation of the service on the west coast there. I notice you have a run between Victoria and Seattle, and I was wondering if you are extending that run to take in Fairbanks, Alaska?

Mr. SYMINGTON: We will be running to Fairbanks via Edmonton.

Mr. REID: At what points will that touch? Will you start from Victoria and then go to Seattle, and come back by way of Vancouver and then on up?

Mr. SYMINGTON: We ran into Vancouver because we wanted an entrance on the Pacific coast, Seattle; and the only way in which we could get that was Victoria-Seattle—Victoria-Seattle-Vancouver; so that now we have an entrance to the traffic producing territory in the state of Washington, because we can beat any airline from there to New York, I think.

Mr. REID: These planes will take your passengers to Vancouver, will they?

Mr. SYMINGTON: Yes.

Mr. JACKMAN: They take the Seattle passengers up to Victoria, or Vancouver, and then take them to New York more cheaply?

Mr. SYMINGTON: I do not know about more cheaply, but more quickly, and more comfortably I think.

Mr. JACKMAN: I think in one of the previous sittings of this committee we were told that the run between Vancouver and Seattle, or to put it the other way, the Seattle-Vancouver run, was not a profitable one.

Mr. SYMINGTON: The Seattle-Vancouver route was not a profitable one. It belonged to Canadian Airways originally and they gave it up. It was not a profitable route, and it would not be a profitable route yet. No route that short is a profitable route; but it is a feeder to our traffic and it is an originator of traffic.

Mr. McCULLOCH: Is there any chance of Yarmouth-Greenwood-Truro being connected?

Mr. SYMINGTON: I should think that Yarmouth might be connected with the Halifax-Boston run. That appears likely. I do not know much about it. It looks as though it might, I cannot tell.

Mr. JACKMAN: Is it appreciably shorter from Seattle to New York via Vancouver than over the U.S. lines?

Mr. SYMINGTON: It is some shorter, yes.

Mr. JACKMAN: Is that a factor in our situation there?

Mr. SYMINGTON: It is some shorter, but there is another factor, and that is our smaller population, which is an advantage. We have fewer stops. It places them at a disadvantage in that they have to make more stops. Of course, but, if they operate a through express route, flying non-stop, our advantage might be lost. Up to date we have undoubtedly been getting a lot of traffic from Seattle.

Mr. REID: Can you tell me if the fog at Sea Island is delaying your planes very much, the fog out there at Sea island airport?

Mr. SYMINGTON: I think the answer to that is that it delays at certain times of the day; that is we have difficulty very often in getting in there before 11 or 12 o'clock, until after the fog rises. Apparently there is some fog there in the early part of the day but most days it rises by noon.

Mr. REID: It would have been better if in the first instance an airport free of fog had been chosen rather than the one you have there now. That, of course, was chosen by the Vancouver city council and now it has grown up—millions of dollars have been spent on that airport. I suppose that if an airport were being chosen to-day you would look for one free of fog, and such a location could be found closer to the city.

Mr. SYMINGTON: As I say, we have nothing to do with airports. Well, we do give what information we can to the department as to the characteristics along technical lines. What you say about the Vancouver airport is, of course, a matter of concern for the Department of Transport.

Mr. REID: I want to ask one or two questions about passengers. There has been considerable complaint during the past few months by men who want to travel on business, for strictly business purposes, between Vancouver and west coast points and Ottawa, that they have not been able to get space, that people on pleasure trips are booking as far ahead as three months. I do not suppose there is any way to control that. If you wanted to get a seat on one of those planes you could not get it within three or four weeks. At one time I think they were booked as far ahead as three months, not by business people, but by people looking ahead for a pleasure trip; and people calling up the T.C.A. and saying that they wanted to book a party for three or four months ahead—as much as 25 or 30 per cent of the seating capacity of the plane being booked by passengers of that type, pleasure-seeking passengers.

Mr. SYMINGTON: That complaint is perfectly justified. The question of remedy, the basic remedy, is that we get the new planes, more planes, and you have met your trouble. Otherwise the problem is a difficult one to handle for a public service corporation. Business men, particularly in the west, come in any time, just a day or two before they want to make a trip, and then complain because they cannot get accommodation at the moment they want it.

Mr. REID: That is right.

Mr. SYMINGTON: They have to make up their minds a couple of days ahead, and then they come in and say; why these planes are full of women and children and school teachers and all that sort of thing; what good are they doing for the business of the country, they should not be allowed to interfere with business this way. Well, I don't know. The doctors now recommend women with small babies to travel by air, if they have to move; that is found to be the quickest and least harmful way to move infants. Then, take school teachers. They work the greater part of the year and then they say they want to get away for a vacation on such-and-such a date and they make their reservation. Take the case where a man would come into us and say: you ought to give us a reservation three days ahead. You could not expect us to work even on that narrow margin. No one knows what traffic will offer within a short time such as three days, and you can hardly afford to hold your space open to business men on a short notice basis of that sort, particularly when you realize that as a rule the business man who travels by air only makes such trips twice or three times during the year; and that kind of traffic does not fill your aeroplanes. I have not been able to bring myself over to the view that such an arrangement would be fair to the travelling public. What I am interested in is the economic proposition, the operation of the airline. The lines have not done so badly, I do not think, all the circumstances being considered. We are now getting new planes, and that will remove some of the objections; and then I do not think you will hear much more about it.

Mr. McCULLOCH: How about a passenger at Halifax, who buys a return ticket on Monday to go from Halifax to Montreal and he wants to come back on a Wednesday—

Mr. SYMINGTON: He wants to which?

Mr. McCULLOCH: He wants to return on Wednesday.

Mr. SYMINGTON: Yes.

Mr. McCULLOCH: And when Wednesday comes he probably cannot get a seat on the plane.

Mr. SYMINGTON: Unless he has reserved it. He can reserve it at the time he buys his ticket.

Mr. McCULLOCH: Even if he reserves it he cannot get it.

Mr. SYMINGTON: I am afraid that is a condition that will continue as long as you have not sufficient planes to meet the demand, we have the odd deplanement for priority.

Mr. McCULLOCH: Do you not think that a man who buys a return ticket should have a preference?

Mr. SYMINGTON: Well, I don't know. We give them a 10 per cent reduction on the rate to buy a return ticket, you know.

Mr. JACKMAN: Your rates are now fairly comparable with lower berth rates on the railway, are they not?

Mr. SYMINGTON: Well, they are coming down a bit. I would say that they are about the equivalent to a room rather than a berth, plus your railway rate.

Mr. JACKMAN: May I ask whether or not you have entered into any negotiations with any of the countries with whom you have to negotiate in order to complete arrangements for your West Indies-South America services?

Mr. SYMINGTON: We have not yet got down to actual negotiations. We have had a lot of talks with them, and they are all waiting to receive us with open arms; but there is no use in arousing people's hopes of getting things going until we are in a position to deliver the goods. We are not yet, either in the matter of planes or in the matter of personnel, although our personnel situation is improving tremendously. I expected to answer questions as to why we had not made a little more money. There are many reasons in addition to the personnel item of which we have spoken. We have now taken 750 returned men on to be trained, and we start them at proportionately higher rates than we would if they were not returned men. You cannot take a man who has been overseas and give him a probationary rate of pay such as you would give to one who comes to you as a young fellow just wanting to learn. And it is taking longer to make commercial air pilots out of war pilots than it does of a fellow who has never been in the war at all; oddly enough these men themselves want to stay on the right hand seat until they feel they are qualified to become captains.

Mr. JACKMAN: Why would that be? That is very interesting.

Mr. SYMINGTON: Well, largely because these fellows during the war have been flying by the seat of their trousers and they have a lot of bad habits which take a lot of curing for commercial air purposes.

Mr. McCULLOCH: Are you getting many of those from the schools?

Mr. SYMINGTON: No, we are taking nothing but returned men. We have taken 750 of them. We have 205 of our own coming back too.

Mr. HAZEN: Did you say that you have 205 pilots?

Mr. SYMINGTON: These are not all pilots.

Mr. HAZEN: How many pilots have you at the present time?

Mr. SYMINGTON: About 250.

Mr. HAZEN: Including co-pilots?

Mr. SYMINGTON: Yes.

Mr. HARKNESS: As far as these two routes to the United States are concerned, you do not show anything about flying from the prairie areas, such as from Winnipeg to Minneapolis, or from Lethbridge to Grand Falls; have you it in mind to develop the routes in that area?

Mr. SYMINGTON: We are trying to get Chicago-Winnipeg. We may get it, I do not know; we could not get it then. You see, under the present agreement the territory was divided. It was a territorial division and for a long time the United States operators have run the line from Winnipeg to Minneapolis, and they also had the Lethbridge-Grand Falls run. They also had the Vancouver-Seattle, and we were able to get into Seattle as I explained primarily as a source of traffic. With respect to what is of greatest advantage to us, through routes to the largest centres, Chicago, New York and so on, non-stop is very valuable.

Mr. JACKMAN: You mean, you have fewer stops along your route between Seattle, Vancouver and New York? There are fewer stops on your line than there would be between Seattle and New York as United States operate?

Mr. SYMINGTON: Yes, I think even now there are fewer because we have not the large populations. That will be particularly true when we get our new big equipment.

Mr. JACKMAN: Why do not the American lines put on an express service?

Mr. SYMINGTON: They will do that as soon as they get their big equipment; although, mind you, there are competing lines in these western cities with which they have to divide traffic. They can only go so far and operate on a paying basis.

Mr. JACKMAN: If they had an express line then the advantage we have at the moment in a faster service would disappear, would it not?

Mr. SYMINGTON: No, our express line would still have to meet their competition; but there is more to it than speed. You'd be surprised at the letters I get from people from as far away as California who come up and travel by T.C.A. in preference—

Mr. JACKMAN: Is that on account of better service?

Mr. SYMINGTON: Yes, better service, and smiling service, you might say; and they like the scenery. It is really surprising.

Mr. JACKMAN: Is our equipment as modern as their?

Mr. SYMINGTON: Our equipment is smaller than their, but it is faster and as comfortable; and it is what they call a "heads-up" service, and things like that.

Mr. SHAW: I understood you to say, Mr. Symington, that the T.C.A. have nothing to do with the construction and maintenance of airports, is that correct?

Hon. Mr. HOWE: That is correct.

Mr. SHAW: Probably then my question should be directed to the minister: Is there any way by which we can determine the cost of construction and the maintenance of airports for T.C.A.? Otherwise we cannot get a complete and correct picture of the cost of operating the T.C.A. I find in connection with government enterprises that this is so frequently the case. Take the post office, for example. You can get a statement of the postal revenue and expenditure at a particular office, but the capital expenditure comes under the Department of Public Works, with the result that you cannot get a complete and correct picture of operations of a government enterprise in so very many cases. Could we possibly get something regarding the cost of maintenance of airfields?

Hon. Mr. HOWE: There is no trouble in giving you the cost of the construction and operation of any airport in Canada. The airports are maintained for other than T.C.A. services. T.C.A. pays landing fees just the same as the others; but the facilities operate for other purposes than merely T.C.A., particularly for military purposes. There is no airport that I know of used exclusively for T.C.A.

Mr. SHAW: There must be some emergency fields.

Hon. Mr. HOWE: Oh, yes, but the emergency field maintenance is practically nothing; that is simply a place to get down in in case you have trouble.

Mr. SHAW: But it involves an original capital outlay?

Hon. Mr. HOWE: Oh, yes.

Mr. SYMINGTON: The same thing applies in the United States. There is no operating airline which I know that could possibly pay its way that had to earn the cost of building and maintaining air fields in addition to its other operating costs.

Mr. SHAW: I am not criticizing the answer given, but it is awfully hard for us to take a statement of this character and accept it as a complete statement of revenues and costs of the enterprise.

Mr. SYMINGTON: The situation is this, that we pay a landing fee to the government on their fields, plus certain other services, the same as any other air line.

Mr. SHAW: That is true, but as Canadian taxpayers we pay more as a consequence of expenditures made by the other department of government which is responsible?

Mr. SYMINGTON: Air fields are undoubtedly built and they do not get a return in landing fees commensurate with their cost, but that is true the world over.

Hon. Mr. HOWE: That is a situation which is very much confused at the moment, owing to the fact that practically all of these new fields were built for the army, which pays no landing fees, but we are starting a study now to put these fields on a commercial basis. It should be possible. Many fields in the United States pay their way in landing fees and concessions of various sorts. For instance, La Guardia field, which cost \$42,000,000, has I am told turned out to be quite a profitable field. That is a matter that will come but at the moment the situation is so confused by war use, and by airports built wholly for war that have no commercial traffic, that it will take a year or two to sort that out.

Mr. BEAUDOIN: You do not own Dorval airport?

Mr. SYMINGTON: No.

Mr. BEAUDOIN: That belongs to the government.

Hon. Mr. HOWE: It belongs to the Department of Transport.

Mr. BEAUDOIN: You do not have to defray the expenses of the upkeep of the airport?

Mr. SYMINGTON: We have our own facilities there and we pay landing fees and certain other fees. We have our facilities there, our hangars where we do our jobs, and all that sort of thing.

Mr. BEAUDOIN: You also have repair shops there?

Mr. SYMINGTON: Yes, we have maintenance shops.

Mr. BEAUDOIN: How many employees do you have there?

Mr. SYMINGTON: There are 553 engaged in the trans-Atlantic operation where all the planes are taken care of with respect to the trans-Atlantic operation for the government. I should say there are 750 to 800 people out there.

Mr. BEAUDOIN: Is that number of employees likely to be subject to decrease in the near future?

Mr. SYMINGTON: I would think it is subject to increase. Montreal will be an international airport and, of course, it will be subject to increase.

Mr. SHAW: Mr. Chairman, possibly my next question should be directed to the minister. In a case like the Penhold Airport where you have an emergency landing field for the T.C.A. and buildings, and so forth, does that operate independently of the air station which has been operating under the commonwealth air training scheme? The reason I ask is that if it does not then in the disposal of buildings, equipment, and so forth at Penhold you would have to have a prior claim upon certain essentials in connection with the operation of your emergency landing field. I was wondering if they did operate independently.

Hon. Mr. HOWE: Penhold was a purely military field. It was built for military use for the military. It happens to be a field that is on the trans-Canada line and is a good emergency field.

Mr. SHAW: You have a separate strip there and separate buildings operating for T.C.A.?

Hon. Mr. HOWE: Where is Penhold?

Mr. SHAW: North of Calgary about eighty miles.

Hon. Mr. HOWE: It is only an intermediate field. It is not a field we use. There was a strip there before, and then we built the airport for the military.

Mr. SHAW: I do not think there was any strip there before.

Hon. Mr. HOWE: Perhaps not. There was a radio range and a strip as part of the original line from Edmonton to Lethbridge. Then the military went in and chose that as a spot for an air training school and built an airport there. When the military get through with it they will declare it surplus and it then goes to the Department of Transport. The Department of Transport decide whether there is anything useful to them in their operations and then they declare the balance surplus to War Assets Corporation. War Assets Corporation disposes of such surplus to the public.

The CHAIRMAN: I might suggest that perhaps the questions of Mr. Shaw and Mr. Beaudoin will be answered when we get over to the detailed reports. I think some of the questions asked will be answered on page 13 under ground operation, maintenance and depreciation.

Mr. JACKMAN: May I ask Mr. Symington a general question as to paragraph 7 on the first page?

A direct operation between Winnipeg and Edmonton waits only upon the installation of airports and airway facilities along this route.

You are not concerned with the cost of those facilities? That is the Department of Transport entirely?

Mr. SYMINGTON: We are concerned in them being fit to land on. We naturally try to get along with what we can so as not to cause too much cost, but the Saskatoon air field, which is the one in question, is a well known development that has been under way for some time. It is only a matter of getting it completed.

Mr. NICHOLSON: How about the intermediate stations at Yorkton and Dafoe? Are they satisfactory?

Hon. Mr. HOWE: They are all right. They are just intermediate stations.

Mr. JACKMAN: Do you pass upon fitness as representing the T.C.A. or does the Department of Transport do that?

Mr. SYMINGTON: The Department of Transport under the method prepare plans for an air field, and before they go on with them they submit them to the operating department and say, "This is the direction of the ranges and the runways. Will it meet your situation?" Our people go over it and say that it will or it will not, it should be changed here or there in order to accommodate the planes.

Mr. JACKMAN: But the Department of Transport have inspectors just for this purpose, have they not? I see a large appropriation on that account in the estimates?

Mr. SYMINGTON: Of course they have. They build them. We have nothing to do with that at all.

Mr. JACKMAN: They merely consult you?

Mr. SYMINGTON: Just for advice; we are going to have to land the planes there. "Is this runway a degree off or on according to your experience in the prevailing winds", and so on, as to whether it is right, but we have nothing to say about it. It is only the fact we are going to use it and it is naturally wise to avoid any possible errors.

Hon. Mr. HOWE: The Department of Transport inspects all aviation lines. Trans-Canada Air Lines is just another air line to them. Any air line that operates is subject to inspection by the Department of Transport, and any field that is used is subject to inspection by the Department of Transport.

Mr. HAZEN: Mr. Symington, when I asked you if you would operate an air line that did not pay if I understood you correctly you said that depended on the government, that the government was your boss. I should like, if I could, to get some idea of the set-up or relationship between the government and the company. For instance, does the T.C.A. select the routes it will operate or does the government decide on the routes and tell the T.C.A. to operate them under the Trans-Canada Air Lines Act?

Mr. SYMINGTON: It might be either. What happens is T.C.A. applies to the government for a route. What they do is they write the Minister for Air and the Postmaster General and say, "We would like to put another frequency on this route" or "We consider this route should be set up". These two ministers must recommend it to the governor in council who passes it. Then we can run it. Until then we cannot.

Mr. HAZEN: Do you have to get a licence from the board?

Mr. SYMINGTON: Yes.

Mr. HAZEN: That is the one side. Take the other side. You apply for a route. Does the government ever come to you and say, "You are to run a line between this point and that point?"

Mr. SYMINGTON: I do not recall any such case happening.

Hon. Mr. HOWE: We could. For example, the government has the power to make treaties with other countries. We made a treaty with the United States and accept responsibility for operating certain services. Among them are the services from Toronto to Chicago and Toronto to Cleveland. We instruct T.C.A. to operate these international services.

Mr. HAZEN: Where is the authority for that under the Act?

Hon. Mr. HOWE: It is a part of the T.C.A. contract. The Act provides for a contract.

Mr. JACKMAN: Do T.C.A. have to accept that instruction or can you put your own price on the cost of that service?

Mr. SYMINGTON: Under the present arrangement if we run it we just get the remuneration which is provided for in the Act. We are protected under the present Act. If we make a profit the mail rate goes down; if we make a loss the mail rate goes up, so we are really protected as a company from having to operate at a loss. That is all being changed, as I understand the legislation, but that has been the situation up to now.

Mr. JACKMAN: But you will be guaranteed as representing the T.C.A. against loss?

Mr. SYMINGTON: Which?

Mr. JACKMAN: If the government orders you to operate a certain route?

Mr. SYMINGTON: Under the present contract.

Mr. JACKMAN: Apparently that is going by the board.

Mr. SYMINGTON: I do not know whether it is or not but there is power for it to go by the board in the amendment which we will come to in due time.

Mr. JACKMAN: You picture yourselves in the position of being ordered to operate a route which may show a loss and which will not come out of the consolidated revenue fund?

Mr. SYMINGTON: I have not pictured myself in that position. I have not really considered whether I could be put in that position. Certainly as far as I am concerned personally if domestic T.C.A. ever has to be subsidized I am out. I would not do it because I think it can be made to pay.

Hon. Mr. HOWE: Of course, we are very careful to see that these routes are potentially profitable routes.

Mr. JACKMAN: Mr. Symington was careful to qualify his remarks by saying domestic T.C.A. routes.

Mr. SYMINGTON: Yes. If the government of Canada enters into an agreement whereby they are going to run the North Atlantic and they say to T.C.A., "You are to run it", as they have said, T.C.A. overseas limited, or some such name—not T.C.A. domestic—will run it and, of course, they will run it under a contract with the government. What that contract will be remains to be seen, but if I am in T.C.A. I will be protected against loss. Do not make any mistake about that.

Mr. JACKMAN: Suppose Great Britain or any other large population country where traffic arises insists upon operating planes bearing the same ratio to the total as their population at the point of traffic origin bears to the total traffic; it may be that T.C.A. overseas lines will always be very small and perhaps for that reason will not be profitable whereas the country which has the large population may have a great number of planes and that increased volume can make them profitable at the same rate which would show us a considerable loss?

Mr. SYMINGTON: If the government were stupid enough to agree to that they ought not to be the government because nobody would agree to any such proposition.

Mr. JACKMAN: I understand that is a point at issue in the escalator clause?

Mr. SYMINGTON: Not at all, not for one minute. The escalator clause had nothing to do with that at all.

Hon. Mr. HOWE: It had nothing to do with that at all.

Mr. JACKMAN: Why is it then that there is this point of difference between the United States, Great Britain and ourselves, if you like, as to the provision whereby after effective use is made of 65 per cent of the line you can add planes?

Hon. Mr. HOWE: That provision gives permission to do so.

Mr. SYMINGTON: It is a pretty long story to try to explain that to you.

Hon. Mr. HOWE: It might never be operative.

Mr. JACKMAN: Is there not a point in issue in regard to where the traffic originates?

Mr. SYMINGTON: None at all. We are all agreed to operate on a 50-50 basis. The United States had to be persuaded to this, and it was a gesture on their part because they are the biggest travelling country in the world. If a passenger has origin in the United States and flies to England, gets off and then gets on a plane in England, England gets credit for that passenger just the same as if it were an English person. The United States does not get credit two ways; it only gets credit one way.

Hon. Mr. HOWE: It is on the basis of traffic embarked.

Mr. SYMINGTON: Traffic embarked in the country no matter where they come from.

Mr. JACKMAN: The point of origin is not of importance?

Mr. SYMINGTON: Not a bit of importance.

Mr. BEAUDOIN: On page 6 you list the principal factors which were responsible for an increase in your operating expenses. Do we find a breakdown of those elsewhere in this report?

Mr. SYMINGTON: On pages 13 and 14; they are all pretty well broken down. I can discuss them with you shortly now or when we get to these accounts.

Mr. NICHOLSON: Before we leave page 6 in connection with the operating expenses I wonder if Mr. Symington has any information to give us as to the weather factor? What difference does it make in your operating expenses when you have a month of bad weather?

Mr. SYMINGTON: Of course, if you have bad weather and you either cannot run or you run part way and have to take care of passengers, switch them into hotels and get them accommodation, and so on, it costs you money, of course, but year in and year out it evens up—although last year was not a good year.

Mr. McCULLOCH: You have to take an average over the year?

Mr. SYMINGTON: Yes.

Mr. NICHOLSON: In terms of dollars and cents have you any way of knowing what a bad September this year would mean as compared with a good September last year?

Mr. SYMINGTON: We might for the month but the factors are so many that it is pretty hard to say that weather cost so much or anything else cost so much.

Mr. NICHOLSON: You are not worried very much about weather in your future plans?

Mr. SYMINGTON: No, it is becoming less troublesome all the time because of scientific improvements.

Mr. REID: There are two questions on page 5. At the foot of the page you mention air express volume and air mail volume. Are they two distinct types of trade? What I want to know is does the air mail volume, which has increased by .3 per cent, include all air mail parcels or parcel post?

Mr. SYMINGTON: Anything that pays air mail rates.

Mr. REID: That is different from the air express?

Mr. SYMINGTON: Oh yes.

Mr. REID: My next question has to do with the fourth paragraph on that page where you said there was a notable expansion in the Canadian government trans-Atlantic air service. That is mail service, transporting mail?

Mr. SYMINGTON: That is transporting mail plus cargo plus everything.

Mr. REID: Is the mail being transported overseas for the Canadian government included in the volume of mail as outlined in your statement?

Mr. SYMINGTON: No. While the T.C.A. operates it it is not a T.C.A. commercial operation. Everything is charged to the government and the government pays everything. We cannot take anything. The government says whom you shall carry. It is a war service.

Mr. JACKMAN: What happened to the Atlantic service that C.P. Air Lines or the C.P.R. were operating in one way or another? They were taken off that job, were they not?

Mr. SYMINGTON: I never knew they were operating one.

Hon. Mr. HOWE: They had an organization ferrying planes for British government account. The British government changed the arrangement. It was nothing to do with Canada.

Mr. JACKMAN: That was done away with entirely?

Mr. SYMINGTON: It was done away by the British, not by us.

Hon. Mr. HOWE: The military took it over. I think, as a matter of fact, the R.A.F. ferry command took it over from the C.P.R.

Mr. JACKMAN: Mr. Symington, in the fourth paragraph, the first line, you say that passenger, mail and express traffic was close to the capacity of the air line. What was your percentage of occupancy or whatever figure you use?

Mr. SYMINGTON: I think our percentage of occupancy was 89 per cent.

Mr. JACKMAN: 89 per cent?

Mr. SYMINGTON: I think so.

Mr. JACKMAN: That is extremely high.

Mr. SYMINGTON: I am sorry, it is 84. That is really 100 per cent capacity because where you are dropping somebody from Vancouver at Lethbridge and you have to pick up all the way along the line if you do not have a passenger between two points that comes off your occupancy.

Mr. JACKMAN: This figure is higher than the average of the trans-continental lines in the United States?

Mr. SYMINGTON: No, I do not think so on their figures for 1944. We were always higher but since the war down there I think they are equally as high or higher.

Mr. JACKMAN: Have you any figures which could be given to the committee indicating the regularity of air service? For instance, if one is going west one has to allow a day extra to make sure you are going to keep your appointment. I find it that way, and I think that is pretty general. Have you any figures showing how often you hit your time table?

Mr. SYMINGTON: We have month by month but, of course, our performance is much better since we got the alternative route by Windsor through the United States. But there is a great change this fall.

Mr. NICHOLSON: How often do you use that route?

Mr. SYMINGTON: Last month I think we used it twenty times. It was a very bad month north of Lake Superior.

Mr. JACKMAN: That is going down to Minneapolis and Milwaukee?

Mr. SYMINGTON: Through Milwaukee into Winnipeg.

Mr. NICHOLSON: How is the time between Montreal and Winnipeg via the United States?

Mr. SYMINGTON: It is a little longer but not very much.

Mr. JACKMAN: Do you have to pay anything extra apart from the landing fee?

Mr. SYMINGTON: No.

Mr. JACKMAN: Is there any comparable route for the Americans? They would have no use for it?

Mr. SYMINGTON: They have comparable routes. They fly over Ontario and they fly over New Brunswick.

Mr. JACKMAN: Is Canada much more difficult to fly over because of weather conditions than the border states?

Mr. SYMINGTON: I would think so. The difficulty in the northern Ontario region is that the wind blows up from the south, hits the cold waters of Lake

Superior and seems to form very heavy wet clouds for a while, or in cold weather the kind of thing that approaches catastrophic icing. For instance, in the northwest prairies a storm may be just temporary and pass over. Then it hits the lake and the cold water and our whole northern Ontario area is covered by this bad flying weather. That is one thing plus the character of the ground there. There is so much water and muskeg that it is a bad flying area, difficult air fields.

Mr. JACKMAN: I have heard it said we have not been able to get certain new instruments on account of military necessity during the war. Are there any instruments which are likely to be available to us which will make it possible to fly during bad weather?

Mr. SYMINGTON: I hope so. As a matter of fact, we are now engaged in blind approach landing tests, but it is a question whether we will ever get a complete blind landing. I think we will. When I do not know. It is a very extraordinary performance, very dangerous and difficult at the moment, but it is on its way. On the blind approach landing you can lower your ceilings considerably and increase your percentage of performed operations a good deal, but naturally you have got to train your people for it. You have got to have your radio equipment and you have got to have wider runways.

Mr. JACKMAN: Do they use this blind approach landing in the United States or other countries?

Mr. SYMINGTON: They are in the same position as we are. I think we are doing a little more than they are. I think in regard to these scientific matters we have always been a little more progressive. The T.C.A. are ahead on most of them. They certainly are not ahead of us.

Hon. Mr. HOWE: It is in the development stage. I do not think it is used commercially.

Mr. JACKMAN: How low can the ceiling be before you cannot bring a plane in under present instrument facilities?

Mr. SYMINGTON: Well, three hundred feet is our absolute minimum. I think with blind approach landings you will get that down to one hundred feet. Then if you get a complete blind landing your problem is solved and you can make an engagement to be there at a certain time and be there.

Mr. JACKMAN: Were you going to give us some figures on the adherence to schedules?

Mr. SYMINGTON: Ninety-five per cent of all schedules were completed in 1944.

Mr. JACKMAN: You mean you were on time on take-off?

Mr. SYMINGTON: No, that does not mean necessarily that we arrived on time, but they were commercially flown. I cannot give you the figures now but there are a certain number routine. That is on time. There is a certain group from 5 to 30 minutes late, and then 30 to 60 minutes late. That is the way they are classified. I cannot give you now how many were 5 minutes late and how many were 30 minutes late.

Mr. JACKMAN: Suppose we give you a couple of hours. One does not mind that so much but it is when you have to stop over-night at North Bay or Winnipeg or some place like that that it really disrupts the service.

Mr. SYMINGTON: That is true, but then you cannot beat the weather. There is no use trying. There is no use telling people you can because you cannot. The test is what has happened to your passengers.

Mr. REID: Have you your own meteorological service?

Mr. SYMINGTON: We have our own meteorological department. Of course, it cooperates with the meteorological service of the dominion government but as to meteorology we have our own people in it, of course.

Mr. HAZEN: In the statement Mr. Vaughan made to this committee on the C.N.R. he said:

"I feel it is necessary, however, to sound a note of caution. It is probable that with the war emergency over traffic will recede from its wartime levels."

Do you feel that any vote of warning should be sounded in connection with the post-war business of Trans-Canada? Do you expect there will be any recession from wartime levels?

Mr. SYMINGTON: Not a recession from wartime levels because we never did reach what we could have done had we had the equipment. Really I cannot see the optimist who tells you that everybody is going to fly. I wonder who is going to work, but when you ask me whether or not peace time flying will be as great as we had in war I will say "Yes, I think it would be at least double because we could not furnish the facilities." We did not have them, but when they talk about increasing ten and twenty times frankly I do not see it, and I hope I am not a pessimist. There is no word of caution necessary in so far as the immediate future operations of T.C.A. are concerned.

Mr. HAZEN: They propose to double, but here we are not talking about doubling the capital stock, but rather of increasing it by four times.

Mr. SYMINGTON: But you are talking about an entirely different thing. We are talking about a complete new inter-ocean service, you see. Let us not have any doubt about this. I am discussing here the domestic airlines. When you come to the international, of course you need—why \$25,000,000 is nothing, nothing at all, in this game. There is not an airline in the United States which has not increased its capital spending by at least \$100,000,000, not \$25,000,000. If you could see the money that is being expended in this international game, it would give you pause. It gives me pause. Certainly I am not going to spend money the way those fellows have been spending it. When you look at their balance sheet, I am not in the same class with them.

Mr. HAZEN: I suppose on the money you spend you want to be able to make a return; that is your policy?

Mr. SYMINGTON: That is my policy.

Mr. HAZEN: And money spent at that rate would be bound to show a deficit, no matter how you look at it?

Mr. SYMINGTON: Exactly.

Mr. NICHOLSON: On the basis of the results you have obtained during the war period, and are obtaining presently, do you anticipate that you will have a considerable increase in air travel?

Mr. SYMINGTON: Yes, there will be considerably more.

Mr. NICHOLSON: Do you expect that that will be more than double the peak during the war?

Mr. SYMINGTON: Yes, on your domestic air. The older people may perhaps hesitate, being a little slower—although it is surprising the number of old people we carry—but the young people want to travel by air; and when they have some place to go to they want to get there.

Hon. Mr. HOWE: There is no doubt that when the new equipment arrives it will be found that a lot of people want to travel by air. Certainly I can say, speaking personally, that I much prefer to travel by air. If I have to go any distance, I certainly prefer to travel by air.

Mr. NICHOLSON: And you think that this increase in air travel will have an effect on rail travel?

Mr. SYMINGTON: Of course.

Mr. HAZEN: Perhaps that is one reason why Mr. Vaughan sounded his note of caution.

Mr. SYMINGTON: It may be; but just take the Montreal-New York—Colonial, away before the war were right up against it with 2 or 3 frequencies a day; to-day they are running 19, and you cannot get seats; and everybody flies. The trains are out in that particular line.

Mr. HARKNESS: It's looks bad for the C.N.R.

Mr. SHAW: On page 7 there is a reference made to revenue passengers, which would indicate that there might be non-revenue passengers. Will you give us some details of the percentage of increase? I was going to suggest that you might later include a statement as to those who travel on a non-revenue basis.

Mr. SYMINGTON: I can give you the full list. First, might I say that there are no passes.

Mr. SHAW: Not even to employees?

Mr. SYMINGTON: Trips, but no passes. To T.C.A. employees on business or vacation, 1,602; dependents T.C.A. employees, 555; employees of the Department of Transport on business, 268; furnishing transportation to the press, Canadian Broadcasting Corporation, etc., 16; employees of the post office department on business relating to the air mail service, 10; employees of other airlines, 15; total, 2,466.

Mr. REID: Nothing about giving transportation to members of parliament?

Mr. SYMINGTON: And those are all on "space available" basis; that is, if there are passengers they cannot go.

Mr. SHAW: Would these Department of Transport employees travelling by T.C.A. be paid for by the department?

Mr. SYMINGTON: If they are on business they do not pay.

Mr. NICHOLSON: Just referring to the observations Mr. Reid made, when you get your new planes some revision of the Railway Act might be made so that the privilege of travelling on planes might be extended to members.

Mr. SHAW: And if you are going to consider that, then I suggest that members coming from the western provinces should be given a priority.

Hon. Mr. HOWE: And then you would have members week-ending in Vancouver every week or so.

Mr. SHAW: If you were to give us two trips a year, we would be satisfied.

Hon. Mr. HOWE: Members get paid for two trips a year, and can spend it on the airlines if they want to.

Mr. SHAW: We cannot do that, we have to travel by train in order to get that.

Hon. Mr. HOWE: No, you can travel by airlines just as well, if you want to.

Mr. JACKMAN: Referring to paragraph 9, the second from the last on the first page, is there any line in United States converting war types of planes to passenger or commercial use, especially to passenger use?

Mr. SYMINGTON: Oh, yes.

Hon. Mr. HOWE: We are doing a big business here in Canada by converting planes for other lines.

Mr. JACKMAN: For American lines?

Hon. Mr. HOWE: Other lines; American, British, French, Norwegian, Spanish and so on.

Mr. NICHOLSON: How many passengers will this type of plane carry?

Mr. SYMINGTON: They are designed to carry 21.

Mr. NICHOLSON: And how soon are they to be available?

Mr. SYMINGTON: To start November 1, on the New York run.

Mr. NICHOLSON: You mentioned the flight from Edmonton to the Pacific; will that be a direct route to Vancouver?

Mr. SYMINGTON: I do not know that. We have not filed on that, but I think it is a logical main line development myself; the government may or not agree with my view. I do not know.

Mr. NICHOLSON: Are there landing fields in between?

Mr. SYMINGTON: I have not gone into that yet. We have only got the rights as far as Edmonton so far.

Mr. JACKMAN: What is the cost of converting the planes for use by the T.C.A. as passenger planes?

Hon. Mr. HOWE: You mean the Dakotas?

Mr. JACKMAN: It says here, "Following the decision of the Canadian Government to undertake the manufacture in Canada, of a Douglas DC-4 type of four-engined aircraft engineered to meet special requirements, Trans-Canada Air Lines, as the intended user of the equipment, has maintained close liaison with the manufacturer and its designs."

Mr. SYMINGTON: That is not conversion, that is new planes.

Mr. JACKMAN: And may I ask in regard to them, what is the relative cost of producing a Douglas DC-4 in Canada as compared with purchasing it from an American plant? Would it be cheaper?

Mr. SYMINGTON: It certainly would be cheaper. I just, out of necessity, would like to call your attention to what this thing means. I had to consider within the last few days, within the last week, the purchase, or the possible purchase, of consolation aeroplanes—*(Constellation)*

Mr. JACKMAN: That is the Douglas DC-4?

Mr. SYMINGTON: No, that is ²⁰Lougheed; and purchasing some of them is a temporary measure, purchasing them from the United States, and the United States price on that plane was \$775,000. When I came to figure out what it was going to cost me, it was going to cost me \$1,262,473.

Mr. JACKMAN: I suppose that is because of duty, taxes and exchange added?

Mr. SYMINGTON: Duty, taxes and exchange; and \$42,000 of modifications—namely, more powerful heating plant for this climate. This is what we have been up against right along, you see in comparing us with the United States costs—which means that if I bought that plane, or ten of them (as I would have had I bought any) I would have had to have written off against operating expenses per plane each year \$124,732 more than my competitor in the United States would have had to have written off. Of course, if we could build that plane in Canada we could build it for about half that cost or less.

Mr. HAZEN: Are the Douglas DC-4's being manufactured in Canada?

Hon. Mr. HOWE: Yes, they are in the course of manufacture.

Mr. HAZEN: Who are manufacturing them?

Hon. Mr. HOWE: Canadair Ltd. at Montreal.

Mr. HAZEN: How many do you expect to take delivery of?

Mr. SYMINGTON: Well, I don't know. I have ordered 20 and have a call on 50.

Mr. HAZEN: What do they cost?

Mr. SYMINGTON: We don't know yet.

Mr. HAZEN: What is the life of a plane of that kind?

Mr. SYMINGTON: Well, when you get talking about the life of a plane, the depreciated life—we depreciate them in four years or five years; but your obsolescence in a fast moving, fast changing line, the fastest moving and fastest changing line in the world, may be terrific.

Hon. Mr. HOWE: We are operating planes we bought in 1936.

Mr. HAZEN: What would be the life of one of these Douglas planes? How long would you use it if you could not get a better one?

Mr. SYMINGTON: I cannot answer that. What I can say is that we depreciated it in our accounts in four years, but we would expect to use it for six or seven.

Mr. HAZEN: When do you expect to know the cost of them?

Mr. SYMINGTON: We have a general idea, but we will not know until the plane is completed.

Mr. NICHOLSON: Did I understand the minister to say that we were still using planes that were made in 1936?

Hon. Mr. HOWE: Yes, they were made in 1936, or 1937.

Mr. HAZEN: When do you expect to receive the first of your new planes?

Mr. SYMINGTON: I am hoping, December 1, 1946. I may be over-optimistic.

Mr. SHAW: And where did you say that these are being built in Canada?

Hon. Mr. HOWE: At Canadair Limited, Cartierville, near Montreal.

Mr. JACKMAN: This plane we are making is the Douglas DC-4?

Mr. SYMINGTON: To give its correct designation, the Douglas DC-4-M.

Mr. JACKMAN: And how much are they going to cost us?

Mr. SYMINGTON: That is what I say we cannot tell exactly yet.

Mr. JACKMAN: But in any event it is safe to assume that the price is going to be lower than the price of the same plane bought in the United States if we have to add to the purchase price the duty, sale tax and difference in exchange?

Mr. SYMINGTON: I would expect it to be considerably lower.

Mr. JACKMAN: Do you think the aircraft manufacturing industry in Canada can compete on a cost basis considering the limited volume we are likely to have as compared to the United States?

Mr. SYMINGTON: I would not say that, but there are other factors which enter into it. For instance, there is the cost of the conversion of the plane to Canadian conditions. Another thing, I am not going to try to compete with the United States in 100-passenger plane types. We haven't got anything like the population. In my opinion the volume of traffic we have here will be better served by the 40-passenger type of plane; that with speed, is, from our standpoint, what we need, and will serve our purpose better than the 100-passenger models; and, as I say, my reason for that view is that we have not got the density of population. Now, in that estimate of the situation I may be wrong. But I would say roughly that we can build the 40-passenger type of plane in Canada at about the same figure as we could have it built in the United States, and certainly if we had to pay duty and other charges, we should be able to build it for ourselves a lot cheaper.

Mr. REID: What would be the cost of the larger type of plane which you are intending to use on your overseas runs?

Mr. SYMINGTON: The type of plane we are building for that purpose is the one which has a cruising range of 3000 miles or more, they have to make long hops over the ocean, and that is an operation which is somewhat different

from one where you have a chance to land every 100 miles or so and refuel and service your plane. On these long hops you have to carry a tremendous weight because of the quantity of fuel and other items that have to be carried.

Mr. JACKMAN: And the fact that volume does not enter into the picture of aircraft production as it does in the production of motor cars, for instance; consequently, in your opinion, planes could be built here at or below the cost at which they could be built and brought over from the United States.

Mr. SYMINGTON: May I correct that, for less than we can buy them in the United States—volume certainly plays a large part, undoubtedly it does.

Mr. JACKMAN: How much is the duty on a plane going to be?

Hon. Mr. HOWE: I think it will work out at around 35 per cent for all ordinary purposes.

Mr. HAZEN: Where do you get your engines from?

Mr. SYMINGTON: The engines for use on the Canadian planes are the Rolls Royce, which are of course brought over from England. You see, we combine what we consider the best design in the plane with the greatest power in the engine, and our craft are unique in that respect.

Mr. JACKMAN: Would you not speed up the supply of new planes for T.C.A. if you take some of these reconverted planes that you were speaking about a moment ago—

Mr. SYMINGTON: All our converted planes are two-engine machines for use on our domestic lines. These four-engine machines are the ones which have the 3,500 mile range. There is no conversion in connection with them at all.

Mr. JACKMAN: But we are talking about more reconverted planes for the Canadian service?

Mr. SYMINGTON: We are getting them from the R.C.A.F. and converting them for use on our mainline service; they are the Douglas DC-3's.

Mr. JACKMAN: That is what are called Dakotas?

Mr. SYMINGTON: Yes.

Mr. JACKMAN: And I presume the cost of converting them is lower than would be the case if you were to build new planes?

Mr. SYMINGTON: Yes, I think they will be considerably cheaper. Up to date, particularly in the United States, the converted planes have cost as much as new planes. The conversion job in a plane is a whale of a job because there are so many interlocking parts that when you come to change one part it affects others and the result is that you find yourself facing a pretty expensive problem. But there is no doubt that it will be cheaper, particularly with the number that we are going to do. What is more important, we at least can get them and we cannot get any new planes. One of the members asked something about what these C-47 planes were like that we are converting. I rode up here to Ottawa in one of them just the other day and we brought along with us the president of Chile. It is a very fine plane, a very handsome plane, and a very comfortable plane; and it cost us less than a new plane. The next one will cost less than that one, because the first always costs more. Our theory is that these planes will do us until there is a new design of a more satisfactory and more economical type of two engine plane, which does not exist anywhere in the world to-day; one that will meet the requirements of certain types of operation. The DC-3 was the greatest advance in aeroplane construction ever made to date, but it will only hold its place until the drawing boards turn out a plane—which they all have on them—which will compete favourably with it in range, cost of operation, and so on, and that cost of operation will have to be away below what the DC-3 is. It is bound to come.

Mr. HARKNESS: But so far as you are concerned you will be able in that way to get a fairly cheap plane suitable for domestic use?

Mr. SYMINGTON: Yes. I would not like to say how cheap, but cheaper than we can buy a new one. Yes, I would think so, and it will all be spent in the country.

Mr. HARKNESS: And is the C47 a Dakota?

Mr. SYMINGTON: Yes, it is a Dakota.

The CHAIRMAN: Are there any other questions, gentlemen?

Mr. JACKMAN: In connection with the paragraph to which you just referred, do you pay any royalties on these DC-4's?

Mr. SYMINGTON: Yes, Douglas gets a royalty on it in the agreement with the Canadian government.

Hon. Mr. HOWE: We could not possibly design a 4 engine transport plane and go into production on it ourselves; it is much cheaper to buy the design and modify it than rather than to start from scratch.

Mr. JACKMAN: What is the royalty basis, do you recall?

Hon. Mr. HOWE: No. I do not recall the terms exactly, and I thought them reasonable.

Mr. JACKMAN: I presume it is a percentage on cost?

Hon. Mr. HOWE: No, it is a flat sum, plus something—I don't recall the details at the moment.

Mr. HAZEN: On page 6 you show the result of operations, and I observe there that while your revenue is up your operating expense is also considerably higher and that is so despite the fact that there is an increase of almost \$1,000,000 in your operating revenue. Could we have an explanation as to that?

Hon. Mr. HOWE: I think Mr. Symington could explain that; last year we had a major repair job on these planes, the increased cost of labour and materials incidental to that repair work was the principal factor in raising the item of operating expenses. It was a major maintenance responsibility.

Mr. SYMINGTON: I can answer that.

Mr. HAZEN: In spite of the increase in revenue of practically \$1,000,000 this year, there does not seem to have been any reduction in operating expense. Is that accounted for by the increase in wages and cost of materials?

Mr. SYMINGTON: For 1944, yes; particularly in relation to the rise in material costs and wages. We had to get most of our parts and equipment from the United States, and there is no ceiling price on things of that kind and there is a very heavy demand added to that. I have it here, our wage increase was \$400,000 for the same number of people, and our material cost was up by \$465,000. And, as the minister has said, the big reason behind all that was that we had a major overhaul to do, what we call a number seven overhaul; which means rebuilding the wings and struts—practically rebuilding your plane—which used up a lot of materials and a lot of labour. We got the advantage, of course, that we prolong the life of the plane and therefore your depreciation charge goes down. But the item of expense, as I say, to answer that question, would be a million dollars. When I first saw it it appeared to me to be too high but when I went into it I found, as I said, that wages had increased \$400,000, materials were up \$460,000; and in addition to that was the training expense for new personnel, the expansion over 1943, and that cost us \$235,000; and so that makes up the million dollars in added expense there, practically; and that is the way it came in. I do not like to see in this or any operation where we are doing a million dollars more business and making less money than we had the year before.

Mr. JACKMAN: Did you apply for an increase in rates?

Mr. SYMINGTON: No, we did not apply for any increase in rates.

Mr. NICHOLSON: What has happened during the eight months of the present year, has your ratio remained about the same?

Mr. SYMINGTON: We are doing better this year.

Mr. JACKMAN: Why did you not apply for an increase in rates when you saw your margin disappearing, particularly where an increase in your rates would not cause any increase in the cost of living?

Mr. SYMINGTON: As it has been pointed out on many occasions, Mr. Jackman, this operation could not possibly make any more money unless we extended our mileage and in that way got an increase in return. Unless we extend our mileage we do not get any increase in return and we do not make any more money. We are not supposed to make money, we are supposed to do the job as cheaply as possible and not make money. You cannot make money under the agreement as it stands at present, because the minute you make a profit down goes your mail rate. As we went along adding new mileage to our routes we showed a rising income figure. Last year there was no practical increase in our mileage and we had to expend a lot of money overhauling our equipment, as has been explained. We have reached our maximum. We are not earning any money from new territory.

Mr. JACKMAN: I wonder if anyone from the Department of Transport could say whether any of the private lines asked for an increase in rates owing to this unusual rise in the cost of wages and materials.

Hon. Mr. HOWE: I do not know whether they asked for an increase on account of those factors. They have their postal rates fixed under the mail contracts, possibly they asked for an increase in mail rates.

Mr. SYMINGTON: There was no control over passenger rates, although a board has now been set up.

Hon. Mr. HOWE: There is now.

Mr. SYMINGTON: Yes, there is now, but the board has only recently been appointed.

Mr. JACKMAN: The passenger rate could have been raised without in any way affecting or causing any increase in the general cost of living.

Mr. REID: On the same page, page 6, I notice that the 1944 rate of compensation received from the post office department for the carriage of air mail was 42.03c per plane mile as compared with 42.90c in 1943, 45.57c in 1942, 48.16c in 1941 and 60c in 1940: then over on page 7 I notice that passenger revenue per revenue passenger was \$28.41 and per revenue passenger mile 5.28c, as compared with \$30.04 and 5.37c respectively in 1943, or it was a little lower in 1944 than it was in 1943.

Mr. SYMINGTON: You see, in this statement we have the operating net; we get paid according to the number of miles we fly, not according to the amount of mail we carry at all. As we put in no new mileage last year we did not get any more payment from the post office, it was just the same. We carried a little more mail for the same amount of money and the cost factor went down although the revenue factor was a little larger; but it did not matter whether we carried a thousand pounds of mail or one pound, we get paid for the plane miles we fly.

Mr. NICHOLSON: Are you working out a new arrangement with the post office? I understand you are. Could you tell us something about that?

Mr. SYMINGTON: I do not know that I could, Mr. Nicholson; we have had some discussions with the post office.

Mr. NICHOLSON: And that will be based on the result of the experience you have had in the past?

Mr. SYMINGTON: Yes.

Mr. NICHOLSON: And have you been able to reach any decision yet as to what would be a more satisfactory arrangement?

Mr. SYMINGTON: Well, the matter is under discussion at the present time and I would not like to say more than that at the moment.

The CHAIRMAN: Well, gentlemen, it is 1 o'clock; and, perhaps with the approval of the committee, we could meet again at 4 o'clock and possibly take up the balance sheet item by item.

The committee adjourned at 1 o'clock p.m. to meet again at 4 o'clock p.m. this day.

AFTERNOON SESSION

The committee resumed at 4.00 p.m.

The CHAIRMAN: Questions were being asked on the report given by Mr. Symington. Perhaps there are a few more questions and then we can go on with the balance sheet.

Mr. JACKMAN: I wonder if Mr. Symington can tell us on page 6 which of these routes and services are paying for themselves and which are still running at a loss?

Mr. SYMINGTON: Which do you mean?

Mr. JACKMAN: Under routes and services; there are seven of them outlined there.

Mr. SYMINGTON: They are really all one.

Mr. JACKMAN: You do not have a breakdown of the cost of individual lines?

Mr. SYMINGTON: I should not think so, no. You see the operation is a 3,900 or 4,000 mile operation with the only real side line being Lethbridge, Calgary, Edmonton. I think that is the only one that you might say is a little bit detached from the others. The Halifax-Sydney operation, of course, is a part of the circular run to Halifax and back to Moncton, and so on.

Mr. JACKMAN: This morning you did say something about St. John's, Newfoundland.

Mr. SYMINGTON: On the question of space St. John's, Newfoundland was very heavily patronized, particularly in the army days. It was full up.

Mr. JACKMAN: Will that have enough traffic to show a profit in the future?

Mr. SYMINGTON: I think it will undoubtedly have enough for one operation. We are running two now and they are still full.

Mr. JACKMAN: Two a day?

Mr. SYMINGTON: Two a day, but if it falls off we will reduce it to one, but it is a very well patronized line at the moment.

Mr. JACKMAN: How does the passenger rate of 5.28 cents on the average compare with American rates? I noticed there was an article in the *Saturday Evening Post* a few weeks ago on "What We Want Is A 3 Cent Air Line."

Mr. SYMINGTON: I read that with great care and I had a conversation with Mr. Smith about it. He is looking several years ahead. He is a great optimist. He thinks he is going to carry most of the people in the United States by air and not by rail. He is a tremendous optimist and a very far seeing energetic man. With respect to a comparison with the present rates as between the United States and ourselves we figure they are just about the same, but they are based on different principles. As you know we have air travel cards under which we give a better percent discount to holders of air travel cards

who make a deposit, and they must have a certain number attached to a card. It was originally to promote the idea of air travel, building it up in a country where it was not known. We also give a 10 per cent reduction on return fares. They have no discount, no air travel cards, and while their quoted rate is a little below ours as far as we can figure there is very little difference by the time you take the thousand air cards that are out in Canada plus the return fare discount. There is very little difference between them. If anything I would say we were a fraction of a cent higher.

Mr. JACKMAN: Can you make any comparison between the effective air mail rate in Canada that is paid you by the post office and the rate in the United States?

Mr. SYMINGTON: I can only make you this comparison. Under the American act the rates are fixed by the civil aeronautics board. The post office have nothing to do with it, the government has nothing to do with it, the air line has nothing to do with it. When I say that I mean that any one of them can complain to the board. Under the Act they are directed to give a rate which will allow cost and a reasonable profit over the whole operation of any line which is reasonably well operated. This is in comparatively recent times so that we cannot quite see what the result is yet, but I was looking over the rates they pay and on the big air lines which have been more prosperous through war carriage they reduced their rates down to something like 34 cents per ton mile. It has now been raised. They decided they were wrong and it has been raised as a temporary measure to 45 cents per ton mile. That applies to the four big air lines. Then when you get into the smaller ones they run all the way up to \$2 and \$3. It depends upon what the board allows them in the area they operate, what they require to permit them to operate at cost plus a fair profit, and the board sees they are reasonably well operated.

So it is a very difficult thing to compare. There is not any doubt that on the big air lines the air mail rate is lower than ours. Take, for example, the run between Boston and New York. I think there are now something like 80 frequencies a day with the four lines running them. With an average spread over each plane where they can put 300 or 400 pounds in each they carry a tremendous tonnage of mail and yet it is small enough not to interfere with their capacity to carry passengers and other cargo whereas it is a different thing where you only have two or three frequencies and you have to take 1,200 pounds of mail and take passengers off in order to carry it. A comparison really cannot be very satisfactorily made, but I would say with their tremendously large cities, and the large volume of mail they carry, that their rates are lower than ours.

Mr. JACKMAN: I suppose we are leaving the post office contract until later on?

Mr. SYMINGTON: I presume the post office contract comes up under the new bill.

Mr. NICHOLSON: Air mail has priority over passengers?

Mr. SYMINGTON: Yes. That is one of the things that also comes under the bill. They not only have a 1,200 pound priority but they control the times we can run which is a great disadvantage because they always want a midnight flight to clean up the late postage of mail. That destroys our passenger business. People will not travel and get home at 4, 5 and 6 o'clock in the morning. If we were running that show—I will go into this on the bill—we would have a plane leaving Montreal at 4 and getting to Toronto in time for dinner and Windsor in time for bed. People will not travel when they are going to get in at 3 or 4 o'clock in the morning. All these things come of necessity into the question of higher mail rates.

Mr. REID: What would the effect be on the system from a financial point of view if you were not carrying air mail?

Mr. SYMINGTON: I do not think we could operate successfully without it. It is a steady filler load.

Mr. REID: You do not visualize in the future the use of mail planes alone in Canada?

Mr. SYMINGTON: Of course, you cannot form a conclusion on that. That will be a matter of trial and error. If, as some of us expect, some day all first class mail will be carried by air it may be then that you will have special mail ships. I do not think you would ever have special mail ships to carry it all. You would want to leave some leeway to fill in on the weight you could carry in your other planes to contribute to the cost, and get your full load wherever you could.

Mr. REID: Personally I think all mail should be carried under the modern system, but I was wondering when that day comes if it would interfere with your present system of passengers and mail?

Mr. SYMINGTON: I cannot answer that. Of course, naturally if we put on mail planes and got a rate which would pay for it that would always leave us the ability to fill up full with passengers if we had to, but in an ordinary air line in ordinary times you do not expect to have 100 per cent passengers. On one trip you may and on the next one you may have 65 per cent or 60 per cent. We take that mail because the plane can lift it and take it. We put it in so as to try and get the maximum result out of the operation.

Mr. REID: The thought I had in mind was whether one could compare it with railroad operation. You have passengers and freight handled by railroads, and if one looks over the statement of a railroad one comes to the conclusion that were it not for the freight the railroads could not operate on passenger traffic alone. That is the heavy end of expense. I am wondering if the same situation has not already developed in the airplane whereby you are depending on freight, express or mail, and that the passenger is a dead loss?

Mr. SYMINGTON: No, not in the air. Your cubic space to fill is such that you cannot possibly carry anything except very high grade freight, and you would charge for passengers, of course, per pound a great deal more than you can charge for freight.

Mr. REID: The thought of how you charge enters into it if you are depending on mail to carry on your operations successfully. Then how do you set the fares for passengers and the rate for mail? How do you differentiate? Which is paying and which is not? Which part is paying and which is not?

Mr. SYMINGTON: It would be difficult to demonstrate it to a nearer conclusion or a dollar and cents basis, but there is not any doubt that until you have sufficient mail to fill a plane plus sufficient passengers to fill a plane then there is an advantage in filling in the space which you can get up and get down with. For instance, it is obvious from the records of this company, I think, that when we started out about 80 per cent of our revenues came from mail because we did not have any passenger business. That has been reduced to 30 odd per cent because we have carried passengers. So that the two combined to work in naturally. It is a flexible operation. People, for instance, do not understand it when sometimes, depending on the weather partly, we have a heavy mail load and we refuse people space to carry them. The rest of the passengers get in and they see two or three empty seats. They say, "What kind of an airline is this? They would not take my friend so-and-so and here are three empty seats." The answer was we had a mail load and we could not take a full passenger load. We had to take the mail.

Mr. NICHOLSON: You have not any leeway there?

Mr. SYMINGTON: No, except weather leeway. In perfect flying weather perhaps we could have operated all full or with one vacant seat but where you have bad weather and are bucking winds, and all that sort of thing, or one or two air fields may be out, you have to proceed accordingly.

Mr. LOCKHART: Cancellations are made because of air load?

Mr. SYMINGTON: Oh yes. People have not understood that but that is a fact. If, for instance, we could run a plane and knew we were going to have every seat filled we could make money on it without the mail.

Mr. McCULLOCH: Very few people know that.

Mr. SYMINGTON: I know that.

Mr. McCULLOCH: I think it should be put in the press.

Mr. SYMINGTON: It has been, and there have been articles, and I will bet I have written thousands of letters on it to people complaining.

Mr. MUTCH: I would suggest to you that it is not always as tactfully explained as it might be at your own airports. People are dropped. I have a concrete case in mind of a person who was dropped off and there were two additional empty seats. It is understandable if you know, but not only was no attempt made to explain it but so bad an impression was given that I have had considerable communication about it. I think you might stress that a little more.

Mr. SYMINGTON: We have tried to, and we will try to again. Of course, the trouble is at the time the plane is leaving and people are being deplaned and you are trying to get new accommodation for them you can understand that a couple of people at the airport are busy and perhaps have not time or do not explain it as well as they might.

Mr. MUTCH: It is hard to be good-humoured at 4 o'clock in the morning.

Mr. SYMINGTON: That is quite true.

The CHAIRMAN: Any other questions?

Mr. JACKMAN: Under the heading of equipment we were talking about the new plane that is coming on the service. In view of the fact that so much of the travelling on the T.C.A. is across Canada and by night is anything being done to allow you to stretch your legs out without bending the knees as you have to at the present time?

Mr. SYMINGTON: The new planes are much roomier.

Mr. JACKMAN: It is very difficult to sleep in the present ones because you cannot stretch your legs out.

Mr. SYMINGTON: It is all right if your conscience is clear.

Mr. JACKMAN: It depends how tired you are.

Mr. SYMINGTON: They are much roomier.

Mr. JACKMAN: It is not just roomier. If you get a seat right where the cross beam is—

Mr. SYMINGTON: There is no cross beam in these.

Mr. JACKMAN: No cross beam at all? That is too bad because on the present ones there is room to park your feet underneath and stretch right out without half sitting up. You can reach a real reclining position, not flat, of course, but on a real angle. Is anything being done because of our peculiar situation in Canada where so much of it is an all-night journey to allow one to have a full stretch out?

Mr. SYMINGTON: We have got the most comfortable seats that can be bought. They are the seats that are used on the best American air lines with some improvements of our own.

Hon. Mr. HOWE: We will sell you a bed when we get our new planes.

Mr. MAYBANK: Is that right? Are there going to be sleepers?

Hon. Mr. HOWE: I think so.

Mr. SYMINGTON: That remains to be seen. Theoretically if a person wants to go to bed he should pay double fare because you can only carry half as many people. It is a thing yet to be demonstrated but I would suspect, knowing that it is only a one-night trip, that people with a good reclining chair, where you can stretch out at a pretty good angle with plenty of room, would probably sooner do that for one night than pay double fare to go to bed. If you have a bed it takes up more room and you can only carry half as many people.

Mr. REID: And if an accident happened most people would like to meet St. Peter fully dressed.

Mr. SYMINGTON: Yes.

Mr. MUTCH: How about your trans-Atlantic service? That will involve sleepers?

Mr. SYMINGTON: That also still remains to be seen. My own theory at the moment is—I may be wrong and there is no finality about it—that we have an advantage over our very powerful friends to the south in that we can fly non-stop from Montreal to London over night and they cannot.

Mr. REID: Did you say from Montreal to London non-stop?

Mr. SYMINGTON: I would anticipate that we would get more traffic at a rate for sit-up passengers with a good stretch-out chair than we would get with double fares or two-thirds more or anything else for the purpose of going to bed for one night. I may be wrong. That is a thing you have to develop, but our first ones will be a reclining chair.

Mr. McCULLOCH: You cannot get sleepers going to New York today on the train.

Mr. SYMINGTON: No.

Mr. JACKMAN: I am not suggesting double fare for a bed but it does seem to me that a good interior architect could design a passageway down one side part way and then down the other side for the rest of the way so that you could rest your legs on a foot stool or something of that sort. When you get your legs up you can sleep much better. I find you can. It is very tiring to have them dangling all night.

Mr. SYMINGTON: I am sorry you did not go into the plane used by the president of Chile and then you could have decided whether we have met your ideas. I might say that you can get a lot of money if you can improve them because it has been the subject of very serious study by at least fifteen or twenty firms in the United States all of whom will tell you they are the best designers of comfort in aircraft, send you beautiful pictures, and so on. However, you generally find they cut your pay load down very much. They might suit a tall man and not a short man or suit a short man and not a tall man. It is not a subject that has not been given the greatest study by really expert designers. If any good designer can create one extra seat in an airplane so that it earns that much more money every day he is worth a lot of money.

Mr. JACKMAN: Some place reference was made to meals served by the T.C.A. that they were not quite up to the standards of corresponding American lines.

Mr. SYMINGTON: You take the longest trip you have of the T.C.A., you get your breakfast, and possibly also your lunch. It is called "lunch", it is not a hot lunch, it is cold; and you get your dinner on some runs. The situation of course is that on the planes we are running there is not the accommodation to serve a hot meal.

Mr. JACKMAN: I read that some of the American planes have much better meals and a better variety than you serve on the T.C.A.

Mr. SYMINGTON: Well, the American lines have been using the planes that we are now getting which permits room to have a fairly good commissariat; and we have had to redesign the whole thing because of conditions of climate and temperature. As I say, with the equipment they have they are able to serve hot meals which we could not serve in Canada at all.

Mr. MUTCH: The meals are free, aren't they?

Mr. SYMINGTON: Yes.

Mr. JACKMAN: Free—well, you pay for them in your ticket.

Mr. SYMINGTON: Oh no, they are free.

Mr. MAYBANK: If you did not have them you would not expect to receive any cut in the bill for your ticket.

Mr. SYMINGTON: It all depends—it does not really matter—I receive lots of letters, I brought some of them with me, about our airline from operators of other airlines; and on this question of meals are letters from women who say that our meals are tastily served, neatly served; and one of them says that so far as she is concerned she prefers a good cold meal to a bad hot meal such as she gets on the American lines.

Mr. JACKMAN: Oh well, maybe those are people who are only making their first or second trip by air.

Mr. SYMINGTON: These are from air travellers. Lots of them say that, that they prefer salads to a lukewarm hot meal. On the other hand you may run into somebody who prefers to have his meal hot, particularly dinner. I am not saying for one minute that our meals are perfect; but I do submit that if you will go into these letters here, if you care to examine them, you will be interested in what they contain. Considering the facilities that we have at our disposal, the type of plane we are using, I think we are doing pretty well.

Mr. JACKMAN: I might say that the last time I was in one of these places there happened to be an American talking about the situation in the United States. I was asking questions about comparisons with their own line. On some points he thought our facilities compared very favourably but one of the points of comparison where he thought we were deficient was our airport facilities, that they were certainly lacking in comparison with some of the American lines. I am not referring to the larger ones, but to the smaller centres.

Mr. SYMINGTON: I would agree with you perfectly from that angle of it, but if we were to go and spend anything like the same amount of money they have spent on those facilities—

Mr. JACKMAN: Of course, a point comes up there; would our traffic justify it the same as the American traffic does?

Mr. SYMINGTON: No. I have not heard any complaints from any of the airline men who have gone over our airlines about that feature of it. What counts is how you handle things at an airport; and not the particular building of the airport, I mean the administration centre, it is the people who count in an airline.

Mr. JACKMAN: I would be a little critical of the housekeeping in some of these airports.

Mr. SYMINGTON: Maybe. I said that I wasn't going to quote these things, but it is really quite extraordinary, the letters you get, and not letters from any one country or any one person. I do not know whether you gentlemen realize it or not, but there is hardly an air country that has not asked for the privilege of sending somebody to study T.C.A.'s operations—Holland, Belgium, Norway,

Sweden, Great Britain, Spain, Czechoslovakia—all of them experienced people and all write letters saying what they think about us and of the great service it has been to them; and these are all people who operated airlines long before we did.

Mr. JACKMAN: I think you could improve a little bit on some of the house-keeping around the airport stations. Sometimes the water fountains do not work. I recall that at Lethbridge the last time I was there there was trouble with the fountain and the water in the men's room at Malton was out of order, full of air bubbles, bubbling all over the place you know. I understand they had some trouble with wells there. Generally, I think your housekeeping arrangements could be better.

Mr. SYMINGTON: Well, I quite agree on that, and if we had—

Mr. JACKMAN: I think if we had a little more routine inspection, some of these things would not occur.

Mr. SYMINGTON: That is very possible. I do not submit for one minute that the thing is perfect, perhaps some of that is my own particular fault because as I have always told you I do not want to operate a line at a deficit, and our people are trained that money counts together with courtesy. It may be that at Lethbridge, where I will admit that the station facilities are a combination—a place for passengers and a hangar are all in one building, and the customs house officers, because it is an international port—that the accommodations is not particularly good. It is a long way from town; it may be that the water did bubble up. Sometimes these things will happen and you cannot help them, particularly when you are operating out on the prairies some distance from a town. I do not say that in the way of excuse. It is not a very serious thing.

Mr. NICHOLSON: There will not be many casualties from that sort of thing.

Mr. SYMINGTON: No, there will not be many casualties.

Mr. HAZEN: From the report I note that you carried 156,884 revenue passengers in 1944?

Mr. SYMINGTON: Yes, sir.

Mr. HAZEN: What percentage of the passengers carried suffered injuries through accident while being carried?

Mr. SYMINGTON: None, I think. I would say off hand, none.

Mr. HAZEN: What damage to equipment did you have as a result of accidents in 1944?

Mr. SYMINGTON: I will give you that: in 1944 in Winnipeg, January 28, there was a forced landing and the damage to the plane was \$62,000. There was no damage to passengers. On February 9 at Kapuskasing, a plane taxied off the airstrip; no damage to passengers, \$15,000 damage to the plane. April 17 in Winnipeg—

Mr. MAYBANK: Taxied off coming down?

Mr. SYMINGTON: Yes. Belly landing, Winnipeg—\$7,000. So there was no damage to persons in 1944.

Mr. HAZEN: \$84,000 damage to property?

Mr. SYMINGTON: \$94,000.

Mr. EMMERSON: There is one item I would like to refer to here; unfortunately I was not in the committee earlier and so perhaps this point may have been

covered, but on page 1 you are speaking about international flights and proposed flights; I just wanted to know if there will be a direct flight from Halifax to Boston, or Halifax to St. John.

Mr. SYMINGTON: It will be over the water. Whether it will be a Halifax-St. John-Boston, or St. John-Halifax-Boston, will depend. Under the agreement we can land at as many points in Canada as we like, but we can land at only one point in the United States, and vice versa. I would expect though that that might well be a feeder, from Boston up into Newfoundland to connect with our trans-Atlantic flights. That is, as you know, a very short direct flight from Boston, along what is known as the great circle route. We had that in mind when we asked for that route.

Mr. NICHOLSON: You say that they can only land at one point? How about that Winnipeg-New York route?

Mr. SYMINGTON: You can land at only one point for commercial purposes. You can land at as many points as may be necessary on account of emergencies.

Mr. MAYBANK: That means that you can only drop or pick up passengers at one point.

Mr. SYMINGTON: You are in bond all the way.

Mr. MAYBANK: You are in bond to your destination, and that would be New York.

Mr. SYMINGTON: No, that is an alternative route. Ordinarily we would leave Winnipeg and run through Milwaukee and on down to Windsor and then to New York.

Mr. MAYBANK: And you are in bond. I thought the question related to Toronto.

Mr. SYMINGTON: No, to the New York run.

Hon. Mr. HOWE: We did that under the two freedoms agreement. It is not a commercial arrangement.

Mr. SYMINGTON: You cannot do anything there, except to come down for gas and get up again.

Mr. REID: Then new landing fields would not be of any great assistance between Vancouver-Victoria-Seattle. Where do you land in Seattle?

Mr. SYMINGTON: I do not know the name of that field, it is the field they all use.

Hon. Mr. HOWE: It is the municipal airport.

Mr. JACKMAN: Does T.C.A. have offices in C.N.R. premises?

Mr. SYMINGTON: Not as a rule, although at Halifax the office is in the Nova Scotia hotel, just the same as the situation here at the Chateau Laurier.

Mr. JACKMAN: I notice that with respect to personnel you say,

Total personnel of the Company, as of December 31, 1944, was 2,790. Women comprised 33 per cent of all employees engaged in the domestic services, as compared with 35 per cent at the end of 1943. Thus, for the first time since the outbreak of war, the proportion of female employees showed a decrease. Women continue to perform with efficiency many duties within the Company, but they are being gradually replaced by men released from the air force and other services.

Is it contemplated that there will be further reductions in your staff that way?

Mr. SYMINGTON: We hear a great deal about reduction of the number of women employed; naturally the rate of change is very great. I think that we are probably the biggest matrimonial bureau in Canada, and that makes it easier for us. But as a matter of policy, we are interested in a certain number of lines where we recognize their superiority; for instance, it is much nicer to have a stewardess to smile at you when you get angry at being put off a plane. It is much more difficult to be angry when a nice looking girl with a pleasant smile faces you at a time like that. However, we are replacing everything with men, except for a few key positions of that type; and stewardesses, of course.

Mr. MAYBANK: There has been a great deal of discussion about the superiority of men in some fields and women in others. We had a great many of them during the war at manual labour. What is becoming of them? Can they do a job of manual labour as well, or will it only be for an emergency such as war that you could use them.

Mr. SYMINGTON: In manual labour I think we figured they were perhaps costing us 15 per cent more.

Mr. MAYBANK: In all these jobs around airports, however, they would not come up to the standard—

Mr. SYMINGTON: Not up to a good man.

Mr. MAYBANK: Yes—of the stronger sex.

Mr. SYMINGTON: Exactly.

Mr. JACKMAN: There are a lot of jobs that women can perform as efficiently as men. This talk of getting rid of women may not be so important after all.

Mr. SYMINGTON: We have a big job to do. There is the duty taking back our own people, our own men whom these women replaced, I suppose we have—I don't know how many thousands of applications. Naturally, Canada is air-minded; it has had a lot of people in the air and they look for jobs. We are giving as many of these people jobs as we can, and in certain types of traffic positions, stewardesses, some stenographic positions, and even teletype positions, there will be women who have been trained and made very good, they will be retained. But I would say that our policy at the moment is, equal efficiency, we try to find a place for a returned man.

The CHAIRMAN: Now, gentlemen, shall we go on to the balance sheet? With the other statements I think Mr. Cooper gave us the explanations. Would that meet with the approval of the committee, to have Mr. Cooper discuss the balance sheet, and then you can ask him any questions along with Mr. Symington.

Hon. Mr. HOWE: There is one thing to which I would like to call attention, and that is the capital of the air lines is represented by cash in the balance sheet. It is liquid position. There are not many balance sheets in that happy position.

BALANCE SHEET AT 31st DECEMBER, 1944

RAILWAYS AND SHIPPING

ASSETS

Current Assets:

Cash	\$ 666,554 64
Working Fund Advances	14,202 41
Special Deposits	522 50
Accounts Receivable	1,337,083 28
Traffic Balances Receivable	195,404 36
Balances Receivable from Agents	47,136 58
Material and Supplies	1,200,686 47
Interest Receivable	11,250 00
Other Current Assets	15,944 20

Deferred Charges:

Prepayment—Rents	\$ 937 96
Prepayment—Group Life Insurance	11,630 20
Research and Development Expense	37,480 91
Other Deferred Charges	9,835 02

Insurance Fund

881,798 00

Investments:

Investments—Dominion of Canada Bonds	\$ 749,062 50
Investments in Affiliated Companies	2,761 00

Capital Assets:

Property and Equipment	\$6,661,488 25
Less Accrued Depreciation	3,025,594 90

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 958,808 14
Traffic Balances Payable	4,225 85
Air Travel Plan Deposits	342,975 00
Salaries and Wages	167,394 52
Other Current Liabilities	153,068 74

\$1,626,472 25

Reserves:

Insurance	\$ 881,798 00
Inventory	218,000 00

1,099,798 00

Capital Stock:

Common Stock Subscribed—Par Value	\$5,000,000 00
Less Uncalled Subscriptions to Common Stock	400,000 00

4,600,000 00

Supplies:

Balance at 1st January, 1944	\$1,484,503 84
Surplus for Year 1944	7,409 29

1,491,913 13

\$8,818,183 38

T. H. COOPER,
Comptroller.

CERTIFICATE OF AUDITORS

We have examined the books and records of the Trans-Canada Air Lines for the year ended the 31st December, 1944, and subject to our report to Parliament, we certify that, in our opinion, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the affairs of the Air Lines as at the 31st December, 1944, and that the relative Income Account for the year ended the 31st December, 1944, is correctly stated.

15th March, 1945.

GEORGE A. TOUCHE & CO.,
Chartered Accountants.

Mr. HARRIS (*Grey-Bruce*): Rather a dangerous one, in respect of any application for a reduction of rates.

Hon. Mr. HOWE: It is a nice position to be in, anyway.

Mr. SYMINGTON: You have got to have that because of rapidly changing equipment requirements which force you to go out and buy equipment of a very expensive type.

Mr. HARRIS (*Grey-Bruce*): Quite so. I entirely agree.

Mr. SYMINGTON: We have built up an insurance fund of \$881,000 for our self-insurance, which has lowered our insurance rates even below what we can insure for outside. I have been very anxious to build up to a safe figure, because if we go to very large four-engine planes with 40 people in them, if anything did happen it would be very large affair.

Mr. REID: Does this cover the planes only, or does it include the passengers?

Mr. SYMINGTON: Both.

Mr. MAYBANK: Could you give us the total cost, in round figures, of your one bad crash, the one at Armstrong, a few years ago?

Mr. SYMINGTON: I don't recall exactly what it was; of course, it was a complete plane, which costs us \$185,000. At that time, however, we were insured and we did not have anything to do with it.

Mr. MAYBANK: But to-day it would be your responsibility?

Mr. SYMINGTON: Yes. \$160,000, I think was the total amount of the claims settled as a result of that crash.

Mr. MAYBANK: And the plane?

Mr. SYMINGTON: And the aeroplane as depreciated, the depreciated value of the aeroplane.

Mr. MAYBANK: That would be?

Mr. SYMINGTON: I think that was the total of the two, the total loss was \$160,000.

Mr. MAYBANK: That covered it all?

Mr. SYMINGTON: Yes.

Mr. MAYBANK: And what did you say your insurance fund is now?

Mr. SYMINGTON: \$881,000.

Mr. MAYBANK: You cannot have that kind of a crash very often with that kind of a fund.

Mr. SYMINGTON: No.

Mr. MUTCH: Were all these claims settled, there were none outstanding?

Mr. SYMINGTON: There were none outstanding. Two or three of them were fought by the insurance company and subsequently settled before they went to the Privy Council.

Mr. MAYBANK: They did get to the courts?

Mr. SYMINGTON: Yes, Mrs. Moss, I remember was a particular one.

Mr. JACKMAN: Do you carry all your own insurance?

Mr. SYMINGTON: All except the planes when in the hangars, and the hangars. We felt that our loss would be too great if a fire occurred in a hangar with ten planes. We have not yet felt justified in view of the prevailing rate of insurance in assuming that risk ourselves.

Mr. MAYBANK: If you had a complete loss of a 40-passenger plane it would make an awful dent in your insurance fund.

Mr. SYMINGTON: It would, there is no doubt about that. But at any rate we have \$881,000 saved up, and that is what we would not have had if we had not insured ourselves, and it is a nice backlog.

Mr. MAYBANK: I suppose \$50,000 or \$100,000 is not very much in the way of damages?

Mr. SYMINGTON: That all depends, of course, upon who is responsible for the accident, you see. At any rate, I hate to talk about these things—I may be superstitious in a way, if you like—but no airline in the world has had the record we have had, not any of them.

Mr. MAYBANK: You mean, from the accident standpoint?

Mr. SYMINGTON: No, not any of them.

Mr. JACKMAN: I think you will find that the one disaster which you had was in relation to a line of your size much greater than losses on some of the commercial operators, some of the American lines, who have a much higher number of miles flown and consequently a higher percentage of loss; I suggest to you that possibly your ratio loss is greater than theirs is.

Mr. SYMINGTON: If anybody tells you that, they do not know what they are talking about; that is not so.

Hon. Mr. HOWE: It is not so.

Mr. JACKMAN: One substantial crash means more to us in a personal and property damage—

Mr. SYMINGTON: We have only had one crash in seven years.

Mr. JACKMAN: I realize that.

Mr. SYMINGTON: The leading American line had 8 in 6 months.

Mr. MAYBANK: That is what I was going to ask you about. Have you any other comparisons?

Mr. SYMINGTON: You can compare it with any line in the world; there is not any question about it, none of them can show as small a loss ratio as we have. As I say, I hate to talk about it, because I always think something is going to happen if you start to brag about those things.

Mr. MAYBANK: Of course, not everybody else is as superstitious as you are, Mr. Symington. That is why these questions are being asked.

Mr. JACKMAN: I sometimes feel that the extreme care of T.C.A. in not setting out if the weather is not pretty near perfect is one of the reasons this loss ratio is so low. That is merely a surmise on my part.

Mr. SYMINGTON: Well, you may be right. I would propose to continue it if so. But I do not think that your conclusion is correct. If you want to know my reason for it, it is that at the initial stages and ever since, Trans-Canada Air Lines have spent more money per man training pilots than any other air lines. It gave the original pilot group a tremendously high standard and they were proud of it; and they have seen to it that the fellows who followed lived up to the standard. That is the reason, if you ask me.

Mr. MAYBANK: We cannot afford to have any losses at all. The policy that has done so well should be kept up.

Hon. Mr. HOWE: Our operating ratio is as good as that of anybody, 95 per cent to 96 per cent.

Mr. JACKMAN: What do you mean by operating ratio?

Mr. SYMINGTON: Completed trips, you mean.

Hon. Mr. HOWE: Completed trips, yes.

Mr. SYMINGTON: I can say to you that, having travelled through the sunny climes of the south, the operation of an air line in Canada is a tough proposition compared to what they have.

Mr. JACKMAN: You have a very commendable record.

The CHAIRMAN: Are there any other questions, gentlemen, on the balance sheet or can we proceed to the next table?

Mr. REID: What is this item of air travel plan deposits, \$342,975?

Mr. SYMINGTON: With regard to these travel cards, they have to make a deposit. That is one advantage of the travel card. If you have a travel card—and I have one here—you can go into any airlines office in America or any place else, and if you produce that and give them your number, you can get your ticket. You do not have to have any money in your pocket or anything else. But in order to do that, every firm which get a travel card has to make a deposit so as to insure that those charged tickets will be realized on. That is the amount deposited under the air travel plan system.

Mr. McCULLOCH: Do these firms get a special discount of 15 per cent?

Mr. SYMINGTON: Yes, they get 15 per cent.

Mr. REID: With reference to that item of investments in Dominion of Canada bonds would that be surplus of profits invested in dominion bonds, \$749,062.50?

Mr. SYMINGTON: That is theoretically, I suppose, profits. It is not so much profits as it is depreciation that we write off each year, off our planes, thus giving us cash which we invest until we buy new planes.

Mr. MUTCH: Is any of your insurance fund invested in bonds?

Mr. SYMINGTON: Yes, all of it. Of course, the insurance fund is a separate fund, a trust; and the same way with the investment fund.

Mr. REID: What is the item of investments in affiliated companies? It is a small amount.

Mr. SYMINGTON: To get into New York you have to buy a \$100 share in the air field or something like that. It is that type of thing. Then there is a company that looks after meteorology or some of those things. But the whole amount is around \$2,000; all the things you have to hold in order to operate, that is all.

Mr. JACKMAN: I suppose in another year, after you get your equipment, there will be quite a change in the current position and the capital assets will be up substantially?

Mr. SYMINGTON: I expect that would be the natural thing.

Mr. REID: Is not that a large amount for salaries and wages at the end of the fiscal year for your company, \$167,000?

Mr. SYMINGTON: Which item is that?

Mr. REID: On page 11, salaries and wages.

Mr. SYMINGTON: Current liabilities, salaries and wages?

Mr. REID: Yes.

Mr. SYMINGTON: That is the current month; that is about all.

Mr. MAYBANK: What is the projection for an increase in wage costs in the next year, if you have estimated it?

Mr. SYMINGTON: I do not know.

Hon. Mr. HOWE: It depends.

Mr. MAYBANK: I thought perhaps you had made some projection.

Hon. Mr. HOWE: It depends on the number of flights, depending directly on the number of aeroplanes we have in the air.

Mr. SYMINGTON: You mean wages?

Mr. MAYBANK: Lower salaries.

Hon. Mr. HOWE: Let us not discuss that.

Mr. MAYBANK: I know it is not easy to discuss; but there is an upward tendency and I thought perhaps you were taking it into consideration. Maybe it is not desirable to answer that.

Mr. SYMINGTON: Oh, I do not mind answering it. I feel—in fact I know—that our salaries are below par. I know men we have got in our organization that have been offered double their salaries to go elsewhere. But they were in this company at the start and they have made it their life's work; and yet we do not want to take advantage of that. We naturally, desire to keep the same staff, people who are there a long time, in a high position, and to see that they receive fairly adequate salaries. But I tell every man that comes for a position that he must recognize—and this is one of the weaknesses of the system which you attack—that I do not think that salaries in a government company can ever be as high as in a private company. I think in the very nature of things they cannot be.

Mr. REID: How long would a pilot last, in number of years, in the service? How long would you reckon his efficiency would be 100 per cent, as far as age is concerned?

Mr. SYMINGTON: It varies a good deal with the pilot; but I should think with some of them, 15 or 20 years.

Mr. REID: 20 years?

Mr. SYMINGTON: We take nobody new above 28.

Mr. REID: What happens after that?

Mr. SYMINGTON: They get a ground job until their pension time arrives.

Mr. REID: Is there a superannuation fund?

Mr. SYMINGTON: We have a pension fund. We started that at the start, I am glad to say.

Mr. MAYBANK: Is it similar to the C.N.R. fund or better?

Mr. SYMINGTON: Yes. It is a little better, but it is similar.

Mr. MAYBANK: 5 and 5?

Mr. SYMINGTON: Yes. They can put in any amount they like. We match it up to 5.

Mr. MAYBANK: You match it up to 5?

Mr. SYMINGTON: Yes.

Mr. MAYBANK: Can they go any higher than that?

Mr. SYMINGTON: Yes.

Mr. MAYBANK: The C.N.R. takes 10?

Mr. SYMINGTON: Yes.

Mr. MAYBANK: But you take more?

Mr. SYMINGTON: Up to 10.

Mr. MAYBANK: If the man wants to?

Mr. SYMINGTON: Yes.

Mr. MAYBANK: And it rests at whatever the rate of interest is?

Mr. SYMINGTON: Yes. It buys an annuity for him at whatever is in his deposit.

Mr. MAYBANK: Your rate of interest on that fund would probably be rather low, would it not?

Mr. SYMINGTON: Yes.

Mr. MAYBANK: On the long term?

Mr. SYMINGTON: Yes.

The CHAIRMAN: Could we now turn to income account, statistical data and the other items?

STANDING COMMITTEE

INCOME ACCOUNT

	1944	1943
Gross Revenue:		
Passenger.....	\$ 4,456,767 45	\$4,213,599 09
Mail.....	3,802,395 26	3,515,807 14
Express.....	326,236 18	330,084 12
Excess Baggage.....	50,279 72	60,078 97
Incidental Services.....	1,679,262 55	1,259,931 19
Total.....	\$10,314,941 16	\$9,379,500 51
Operating Expenses:		
Aircraft Operation, Maintenance and Depreciation.....	\$ 5,213,447 62	\$5,004,764 00
Ground Operation, Maintenance and Depreciation.....	2,872,546 79	2,520,600 75
Incidental Services.....	1,122,419 03	854,827 02
Traffic and General Administration.....	813,541 24	572,904 24
Tax Accruals.....	48,852 76	21,805 85
	\$10,070,807 44	\$8,974,901 86
Interest Income.....	<i>Credit</i> 19,160 96	.....
Income Charges.....	25,885 39	26,709 78
Interest on Capital Invested.....	230,000 00	230,000 00
Total.....	\$10,307,531 87	\$9,231,611 64
Surplus.....	\$ 7,409 29	\$ 147,888 87

STATISTICAL DATA

	1944	1943
Route Mileage Operated.....	5,299	4,903
Plane Miles Flown—Revenue.....	9,110,474	8,254,819
Plane Miles Flown with Mail.....	9,046,866	8,194,962
Plane Miles Flown—Non-Revenue.....	924,331	708,967
Revenue Passengers Carried.....	156,884	140,276
Percentage of Passenger Occupancy.....	84	83
Average Passenger Journey—Miles.....	538	560
Air Mail Carried—Pounds.....	3,739,105	3,726,607
Express Carried—Pounds.....	856,016	821,606
Excess Baggage Carried—Pounds.....	261,731	292,600

Since the inception of operations the company has flown a total of 39,601,158 plane miles in revenue service and a total of 306,460,139 passenger miles.

AIRCRAFT OPERATION, MAINTENANCE AND DEPRECIATION

	1944	1943
601 Flying Personnel.....	\$ 842,053 25	\$ 732,051 58
602 Flying Personnel Supplies and Expenses.....	118,001 67	117,196 18
603 Aircraft Engine Fuels.....	1,147,161 09	1,097,210 83
604 Aircraft Engine Oils.....	39,515 42	53,529 61
605 Passenger Supplies and Expenses.....	22,754 04	26,949 15
605 Passenger Meals (Aircraft).....	212,871 18	161,639 59
605 Passenger Interrupted Trip Expenses.....	42,668 79	39,298 17
607 Clearance Fees.....	18,567 35	15,201 76
608 Servicing—Labour and Supplies.....	561,972 60	473,700 88
611 Aircraft Repairs.....	642,842 33	417,337 79
612 Aircraft Propeller Repairs.....	44,185 64	32,473 16
613 Aircraft Instrument Repairs.....	2,097 10	90,683 62
614 Aircraft Engine Repairs.....	570,084 24	332,269 38
615 Aircraft Communication Equipment Repairs.....	49,932 73	50,025 04
616 Miscellaneous Flying Equipment Repairs.....	28,680 26	40,896 65
617 Flying Equipment Insurance.....	177,981 25	297,020 98
618 Liability and Compensation Insurance.....	105,879 83	140,629 30
620 Other Flying Expense.....	4,574 39	5,380 46
625 Aircraft—Depreciation.....	304,230 21	490,737 20
625 Propeller and Hub—Depreciation.....	29,016 17	49,104 86
626 Aircraft Engines—Depreciation.....	223,520 59	292,347 70
627 Aircraft Communication Equipment—Depreciation.....	23,715 46	47,911 55
628 Miscellaneous Flying Equipment—Depreciation.....	1,142 03	1,168 56
	\$5,213,447 62	\$5,004,764 00

GROUND OPERATION, MAINTENANCE AND DEPRECIATION

631	Superintendence	\$ 315,021 66	\$ 225,225 97
632	Airport and Hangar Employees.....	812,191 97	559,794 23
633	Communication Operators	241,530 13	241,658 53
636	Travelling and Office Expenses.....	385,596 77	288,694 33
637	Light, Heat, Power and Water.....	79,718 62	67,313 88
638	Rent of Fields, Buildings and Offices.....	106,383 91	116,589 84
639	Rent and Expense of Motor Vehicles.....	24,419 43	23,265 64
641	Communication Equipment Repairs.....	59,270 29	48,789 64
643	Hangar Equipment Repairs, Supplies and Expenses.....	23,977 28	28,058 60
644	Shop Equipment—Repairs	39,325 80	20,828 15
645	Motor Vehicles—Repairs	29,345 89	22,112 59
647	Furniture, Fixtures and Office Equipment—Repairs.....	22,771 86	13,109 82
648	Miscellaneous Ground Equipment Repairs.....	10,093 69	6,529 09
649	Buildings and Other Improvements—Repairs.....	76,748 47	70,447 04
650	Shop Expenses—Indirect Labour and Material.....	189,792 83	107,098 52
651	Stores Expense	103,181 33	77,208 82
652	Stores Expense—Inventory Adjustments.....	7,138 65	230,717 52
653	Buildings, Material and Ground Equipment—Insurance....	10,826 54	9,388 68
654	Ground Liability and Compensation Insurance.....	27,303 01	21,105 20
656	Other Ground Expenses.....	90,576 67	67,929 36
656	Express Expenses	121,080 37	123,433 21
660	Depreciation on Ground Facilities.....	110,528 92	151,302 09
		<u>\$2,872,546 79</u>	<u>\$2,520,600 75</u>

INCIDENTAL SERVICES

		1944	1943
671	Buffet and Restaurant Service.....	\$ 9,896 33	\$ 10,378 00
672	Airport and Other Privileges.....	148 88	123 16
675	Fuel and Oil—Sales.....	110,267 73	90,013 88
676	Repairs and Service—Sales.....	1,002,106 09	754,311 98
		<u>\$1,122,419 03</u>	<u>\$ 854,827 02</u>

TRAFFIC AND GENERAL ADMINISTRATION

681	Salaries and Wages—Traffic.....	\$ 234,306 67	\$ 156,679 30
682	Travelling and Office Expenses—Traffic.....	67,922 66	63,198 94
683	Rent of Traffic Offices.....	29,413 25	21,161 00
684	Agency Commissions	27,632 28	31,367 56
685	Advertising	64,285 69	71,542 63
687	Other Traffic Expenses.....	10,286 05	12,701 35
691	Salaries and Wages—General.....	155,851 34	115,678 07
692	Travelling and Office Expenses—General.....	27,249 66	21,463 21
693	Office Rentals—General	625 50	1,397 50
694	Administration Charges from Affiliated Companies.....	45,000 00	42,000 00
695	Pensions	133,220 14	26,041 77
696	Insurance	1,876 35	1,499 71
698	Other General Administration Expenses.....	15,871 65	8,173 20
		<u>\$ 813,541 24</u>	<u>\$ 572,904 24</u>

GENERAL TAXES

699	General Taxes	\$ 48,852 76	\$ 21,805 85
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Mr. HARKNESS: What is this item of income charges, the second last item under income accounts?

Mr. SYMINGTON: Exchange.

Mr. HARKNESS: That is exchange as against American funds?

Mr. SYMINGTON: Yes.

The CHAIRMAN: Are there any other questions on income account?

Mr. HAZEN: Just a minute. Where does this pension plan come in? Where is it set up in your statement here? Is it in the balance sheet?

Mr. SYMINGTON: It is not in the statement at all. That is a separate trust. The only place you will find it is in the expenses. That is what we are charged up each year.

Mr. REID: What is this item of interest on capital invested? I see interest on capital invested, \$230,000. What capital do you invest?

Mr. SYMINGTON: That is \$4,600,000. That is, the company instead of paying dividends has charged as operating expenses interest at 5 per cent upon its investment; and that is all the shareholders can ever get. So it is 5 per cent upon \$4,600,000 capital of this company.

Mr. LOCKHART: Could we have a break down of incidental services? Does that include your pension plan?

Mr. SYMINGTON: What is that?

Mr. LOCKHART: These incidental services?

Mr. SYMINGTON: What page is that?

Mr. LOCKHART: In the income account, under gross revenue—incidental services.

Mr. SYMINGTON: I can give you that. That is made up of repairs and service sales; B.O.A.C., R.C.A.F., C.G.T.A.A.—that is Canadian Government Trans-Atlantic Air Service—then fuel and oil sales; buffet and restaurant service; airport and other privileges; commissions; hangars storage; rents. For instance, we had from B.O.A.C. the return ferry service, 1944, \$610,000; R.C.A.F. contract, \$445,930; Canadian Government Trans-Atlantic Air service, \$265,042; other than government contracts, \$40,000; a total of \$1,361,962.

Mr. LOCKHART: Then you have income for incidental services in income account?

Mr. SYMINGTON: Yes.

Mr. LOCKHART: Then you have incidental services in operating expenses?

Mr. SYMINGTON: Yes.

Mr. LOCKHART: What is the break down of that?

Mr. SYMINGTON: The break down in that is the same thing. That is what those services cost us. They were all on the basis of cost plus. Do you want a break down of them?

Mr. LOCKHART: Yes.

Mr. MAYBANK: You made about \$500,000 did you not?

Mr. SYMINGTON: About \$300,000. B.O.A.C. contract expenses, \$563,180; R.C.A.F. contract, \$198,066; C.G.T.A.C. contract, \$215,804; other than government contracts, \$25,056, a total of \$1,210,000.

Mr. JACKMAN: It is a little better than a cost basis; it is cost plus quite a bit. If the real profit is the difference between the income from this incidental service and the outgo to provide it. There is \$500,000 or \$600,000 odd?

Mr. SYMINGTON: Yes. It is purely absolute out-of-pocket expense in addition to that in those contracts, naturally you get a certain proportion of your overhead, your superintendence and so on, your stores, all those charges that inevitably arise as a purely increment cost. That is all.

Mr. JACKMAN: Would it be a fair assumption to say that if the revenue for these incidental services disappeared, as I presume it will be doing, on account of their special nature, that there would be a difference in the net operating figure, a difference between those two figures of \$600,000 odd.

Mr. SYMINGTON: It would not be such an amount as to disturb me.

Mr. JACKMAN: \$557,000.

Mr. SYMINGTON: It requires a tremendous amount of attention and energy in running those services. I do not know anything that has been more difficult.

Hon. Mr. HOWE: I do not see where you get that figure.

Mr. JACKMAN: \$1,679,000 is your revenue.

Hon. Mr. HOWE: The incidental services is shown as \$1,122,000 is it not?

Mr. SYMINGTON: \$1,122,419.

Mr. JACKMAN: That is \$557,000 difference. It would shoot your operating account into a cocked hat if that were so.

Hon. Mr. HOWE: Where do you get the cost of those services? That includes buffet and everything else.

Mr. JACKMAN: Incidental services.

Mr. HARKNESS: Where is that shown here?

Mr. JACKMAN: Under gross revenue.

Hon. Mr. HOWE: Oh, I see. These incidental services are apt to grow rather than otherwise. Every airline that stops in Canada requires service, and we will have many more in a couple of years than we have today.

Mr. JACKMAN: Mr. Symington is pointing out you have flights of British Overseas Airways.

Hon. Mr. HOWE: British Overseas Airways will still be very much a factor.

Mr. SYMINGTON: It will cost a lot more than that has cost, because they are doing war services now. Do not make any mistake about that.

Mr. JACKMAN: I rather gathered from what you said, although I may not have heard it distinctly, that incidental services that you provided were on account of war.

Mr. SYMINGTON: Yes. They gave service. They brought back the returning pilots who fly over the planes. It was a war service purely.

Mr. JACKMAN: And it will disappear, will it?

Mr. SYMINGTON: No.

Hon. Mr. HOWE: It will not disappear. There will be just as much flying, but it will be peace time service instead of a wartime service. The war service will disappear and be replaced by peace time operations, which will be more profitable, we hope.

Mr. JACKMAN: Yes. The revenue services will be as large or larger?

Mr. SYMINGTON: Yes. What I want to impress upon you is this, that because the amount of money they paid us exceeds the cash we paid out, that we have made a profit—we have not made that profit at all. We have given them space and we have given them superintendence. We have given them the time of our staff, all experts. We have organized the thing. The ordinary cost plus basis is in many cases cost plus 150 per cent of the wages and so forth, to cover your overhead. This is a contract that was prepared on the basis of cost, and was a contract, for instance that B.O.A.C. themselves offered us and thought that we were more than generous in accepting it. You cannot take your cash out-of-pocket and say you have made the difference between that and the cash you got.

Mr. LOCKHART: You would think, in future, that this proportion would stay about the same?

Mr. SYMINGTON: Yes; at least.

Mr. LOCKHART: That is what I mean, to give us the general idea.

Mr. SYMINGTON: Yes.

Mr. JACKMAN: What I was suggesting, Mr. Symington, was that it is quite true that the overhead and everything else may go into the servicing, the earning of that money, and may not be exactly measured by the \$1,122,000; yet, in order to maintain the T.C.A. you will be spending that much money. \$1,122,000 will have to be spent in order to maintain the overhead anyway, and if you lose a substantial part of the incidental revenues, you would be out of pocket. In other words, it is a great thing to get extra business, because you have your overhead anyway.

Mr. SYMINGTON: We naturally, I think, would have less superintendence, for instance, if we were not doing this service.

Mr. JACKMAN: Yes. As the minister states, you probably will be able to find other sources of incidental revenue and you are not worrying on that score anyway.

Mr. SYMINGTON: No, not a bit.

Mr. JACKMAN: You are not suggesting that you are going to run into a loss because you lose gross incidental revenue.

Mr. SYMINGTON: No. I do not anticipate that.

Mr. REID: You have an item there in your income account for incidental services of \$1,679,262 as against an expenditure of \$1,122,419 in the income. In the income account, under gross revenue, there is shown incidental services.

Mr. SYMINGTON: Quite true. That is right.

Mr. REID: How did you arrive at the profit for incidental services. You have your incidental services as \$1,122,419 and you have incidental services, revenue, \$1,679,000. How did you arrive at that profit?

Mr. SYMINGTON: Well, we did not arrive at the exact profit, because in your expense accounts there is some of that difference between \$1,122,000 and \$1,679,000 or whatever it is included. You see, we might have a high grade, expensive superintendent. He would give part of his time supervising this particular service, organizing them and all that sort of thing, which would be in his ordinary salary but no charge to that service.

Mr. REID: What particulars are included in the incidental services to bring in a revenue of \$1,679,000?

Mr. SYMINGTON: Well, we have converted and maintained all the planes of B.O.A.C. running across the ocean. Their plane comes in. We take it. It goes into our hangar. It is inspected. The maintenance jobs are done, or any new parts necessary are supplied. They pay us under the contract cost plus some percentage to make sure that our costs are covered, because in that same hangar, in that same operation, we are servicing planes that run on the trans-Atlantic service.

The CHAIRMAN: I think Mr. Lockhart had a question.

Mr. JACKMAN: In view of the possible expansion on the Atlantic both eastward and southward does Winnipeg still seem to you to be the logical place for the head office of T.C.A.?

Mr. MAYBANK: Certainly.

Mr. MUTCH: Certainly; why raise that?

Mr. SYMINGTON: I do not want to get into the discussion. Certainly as an operating centre for the domestic airlines it is the logical place because it is right in the middle.

Mr. MUTCH: The air centre of the world.

Mr. REID: Have you an office in New Westminster?

Mr. SYMINGTON: Not that I know of.

Mr. REID: It is as close to the airfield as Vancouver. You had better look into it the first time you are out.

Mr. JACKMAN: You are spending money on the head office in Winnipeg right along. I was wondering whether you were thinking of changing it.

Mr. SYMINGTON: As a matter of fact, we have spent too little. I am ashamed of it. Do not upbraid me with that because you do not know. The conditions they have been working under out there are not good. We have been too stingy about it.

Mr. LOCKHART: Mr. Chairman, do not let us get too parochial.

Mr. MAYBANK: These remarks need to be emphasized.

Mr. JACKMAN: Mr. Symington has not yet committed himself as to whether or not Winnipeg is the logical place. I might say I am not suggesting that Toronto would be. Do you think it is the logical place if the company is going to go into the Atlantic field?

Mr. SYMINGTON: All I will say is that as long as I am there the head office will be where I think it is doing the company the most good. If conditions change so that it should be moved from Winnipeg it will be moved from Winnipeg, if I am there.

Mr. MUTCH: In that case we will have to fire you.

Mr. SYMINGTON: That is right. I am courting it all the time.

The CHAIRMAN: Any other questions?

Mr. JACKMAN: Under operating expenses how much do you pay the C.N.R.? Could we have a copy of the contract between the C.N.R. and the T.C.A.?

Mr. SYMINGTON: I do not think there is any. There are letters but I can tell you what we pay them. We have given the figures each year. We pay the C.N.R. for administrative services performed by departments of the railroad, \$45,000. That was raised from \$40,000 to \$45,000 because the services they were giving us grew.

Mr. REID: Mr. Chairman, are we going to deal with the mail contract later on?

The CHAIRMAN: I think under the bill. That was the idea.

Mr. JACKMAN: May I ask Mr. Symington exactly what are included in the administrative services?

Mr. SYMINGTON: There is legal department, medical department, publicity department.

Mr. JACKMAN: You pay for your own advertising, of course, according to the balance sheet?

Mr. SYMINGTON: Oh yes. Purchasing, architecture, accounting. We have our own staff on accounting but this is under the railway.

Mr. LOCKHART: Have you a breakdown of those?

Mr. SYMINGTON: I have a breakdown. I can give it to you exactly. Architecture, \$5,000; insurance, \$1,000; law, \$6,000; medical, \$6,000; publicity, \$8,500; secretary, \$4,500; stores and purchasing, \$11,000; treasurer, \$3,000; making \$45,000.

Mr. JACKMAN: There have been no transfers of physical equipment between the C.N.R. and T.C.A.?

Mr. SYMINGTON: None at all.

Mr. JACKMAN: I raised the question in the House one day. I happened to notice a safe in the T.C.A. office at North Bay was a C.N.R. safe. One wonders just how much of that type of transferring goes on?

Mr. SYMINGTON: We bought it originally.

Mr. JACKMAN: You bought it?

Mr. SYMINGTON: Bought it from the company.

Mr. JACKMAN: There have been transfers of physical property between the C.N.R. and the T.C.A.?

Mr. SYMINGTON: Certainly; for instance, we bought that safe, sure. You are not suggesting we paid too much or too little for it, are you?

Mr. JACKMAN: I might have thought you would get it for nothing. I am just inquiring. What other property has been transferred from the C.N.R. to T.C.A.?

Mr. SYMINGTON: None that I know of; there may be some.

Mr. JACKMAN: It is odd I should happen on the only item.

Mr. SYMINGTON: It was odd but I know of none. There may be some. I do not say there is not but you can take it from me that if there is it is on a bargaining basis.

Mr. JACKMAN: A good bargain for the T.C.A.

Mr. SYMINGTON: Bargaining between the two companies, one trying to get all it can for it and the other to pay as little as possible.

Mr. MUTCH: Would that not be a natural place to buy this equipment if there was a surplus? It is convenient. There is nothing particularly remarkable about the fact.

Mr. SYMINGTON: I think so.

Mr. McCULLOCH: That is small stuff.

Mr. JACKMAN: It all depends on the extent of it. What about stationery and envelopes which are used by Trans-Canada Air Lines? Do they use C.N.R. envelopes?

Mr. SYMINGTON: No, they use their own. I have two grades of paper, one cheap and one good, both T.C.A. depending on whom I am writing to.

The CHAIRMAN: Any other questions?

Mr. LOCKHART: What was the chief item covered in the \$5,000 increase? Was that made up of several items or one item?

Mr. SYMINGTON: There was an item of insurance, \$700, and there was secretarial department, \$3,000.

Mr. LOCKHART: That is an increase?

Mr. SYMINGTON: That is an increase over last year, yes.

Mr. JACKMAN: Can you tell me how much was paid for that safe by the T.C.A.?

Mr. SYMINGTON: No, I cannot. I did not even know we had bought it except Mr. English tells me we did when we opened the North Bay office which was some four or five years ago. I really do not charge my mind with those things.

Mr. JACKMAN: Of course you understand what I want to find out. I think that the committee is entitled to know whether or not there are some expenses of operation or of capital equipment which are borne by the C.N.R. and which might properly be borne by the T.C.A. in which case there is a difference in accounts.

Mr. SYMINGTON: If you ask me that question I will answer it very specifically and categorically, no, not a thing. There are no dealings between Trans-Canada and the Canadian National Railways that are made for the benefit of the one or the other company. If there is any dealing it is on a straight bargaining basis.

Mr. NICHOLSON: The C.N.R. will not take a reservation for you on their telegraph lines without payment, will they?

Mr. SYMINGTON: No, of course not. I will categorically answer your question without going into safes. You can take that as right.

Mr. JACKMAN: That is all I want to know.

Mr. REID: What particularly would be non-revenue miles flown by planes, 924,000?

Mr. SYMINGTON: Training pilots and trying out ships, working in a ship after repairs and all that sort of thing.

Mr. NICHOLSON: In connection with the statistical data at the bottom of page 12 the percentage of passenger occupancy appears to be a very good performance. Have you a record for the previous years? It appears to be 83 for 1943 and 84 for 1944. Have you other years?

Mr. SYMINGTON: 1942 was 74 and 1941 was 67. That is as far as I can give them to you. In other words, it is naturally a better operation as we learn more about it.

Mr. JACKMAN: Mr. Symington, do you think you could provide the services yourself which you get from the C.N.R. for \$45,000?

Mr. SYMINGTON: Candidly, I think I made a pretty fair bargain on it. We have raised it each year about \$5,000. We started off earlier down below. Mr. Vaughan and myself meet each year to discuss these increases. I do not know whether it is a good bargain on our part or a good bargain on their part. I think it happens to be a situation where with their organizational set-up we save money and they save some money.

Mr. JACKMAN: Probably a good agreement for both?

Mr. SYMINGTON: I would think so.

Mr. JACKMAN: There are then certain reasons why an air service can be run more economically in conjunction with a railway than on its own feet?

Mr. SYMINGTON: Yes, that is true, particularly with respect to an air line up to a certain size. I would not say that if our traffic doubles or triples that we would not be better off having some of these departments as our own because they will be big enough to support a real department. I am not saying that will or will not occur. There are views on it. Naturally a lot of the air line people have the view that the mind of the railway man is not the same as the air man and that we could do it better, but these are individual views. On logic and reasoning I think it is a particular service which saves each company something.

Mr. JACKMAN: I rather gathered from some of your remarks this morning that you felt that your service would attract a very large volume of the passenger traffic, particularly the longer haul traffic which the railways now haul?

Mr. SYMINGTON: I think it will attract some undoubtedly, and they will be in competition. There is no doubt about it because the railways have committees looking for improvements and how to meet this competition. Let me give you an example. Say there is a two-hour train to Ottawa from Montreal which there will undoubtedly be. I do not know that the airline will hold full planes between Ottawa and Montreal. By the time you drive out to the airport, go down, and take 25 minutes coming in again from the airport, it may be that a two-hour train will take the business. It might. I do not know. It is competitive.

Mr. JACKMAN: But speaking generally as it affects the whole Canadian situation?

Mr. SYMINGTON: I would expect that the airline will take considerable passenger traffic from the railways.

Mr. JACKMAN: There will be an increasing tendency that way.

Mr. SYMINGTON: I would think so.

Mr. REID: Might it not well be the case that if employment keeps at the peak level that the railroads will not suffer much even though T.C.A. increases?

Mr. SYMINGTON: Mind you, the railroads mostly live on freight, not on passengers, except in wartime.

Mr. JACKMAN: But it is a very nice extra to get.

Mr. SYMINGTON: It is but if I had to give up one or the other I know what I would give up quickly as a railroad operator.

Mr. REID: Does your organization come under the Board of Transport Commissioners for increased fares?

Mr. SYMINGTON: We come under the Air Transport Board.

Mr. HARKNESS: There is a question I wanted to ask. I do not know whether it came up in the half hour before I came in. Who sets these rates? Is it entirely in your own hands? Are they set in competition or are they comparable to the American rates?

Mr. SYMINGTON: Under the Act we must set rates comparable to the American rates. That is the Act at the present time. I think it will be changed under the new Act.

Mr. HARKNESS: Apart from that the setting of the rate is in your own hands?

Mr. SYMINGTON: It was before the aeronautics board was appointed. Now we have to get the approval of the aeronautics board for the rates.

Mr. HARKNESS: Have these rates varied materially during the course of the war or have they been more or less the same?

Mr. SYMINGTON: No, they have gone down a little.

Mr. HARKNESS: That is one of the chief reasons for the passenger revenue per mile being 5.28 cents this year as compared with 5.37 cents last year? That is due to reduction in rates?

Mr. SYMINGTON: That is due to reduction in rates.

Mr. JACKMAN: Do you feel then in view of the competition between the railway and the air service that some time in the future it will not be feasible to have T.C.A. ticket offices on C.N.R. premises? I am not speaking of the hotels but the ticket offices such as the one at King and Yonge streets in Toronto.

Mr. SYMINGTON: I do not know that my personal views are of much interest to the committee. I do not want to get into a discussion of government policy. That is a matter for the government to decide. I do not want to advocate or oppose.

Mr. JACKMAN: Government policy is coming up under this bill which we are going to discuss very shortly?

Mr. SYMINGTON: I am not going to discuss whether the government was wise in bringing it in or not. That is not my function. I will simply explain as far as I can what the amendments mean. I am not the government. I cannot tell you whether or not government policy is correct. I would lose my job pretty quickly if I did.

Mr. JACKMAN: I might say that in the sittings of the committee last year I find this:

Hon. Mr. HANSON: Yes, I know, but Mr. Howe is the boss; is that not right?

Hon. Mr. HOWE: No.

The CHAIRMAN: I am not so sure about that.

Hon. Mr. HOWE: The only boss is Mr. Symington.

Mr. SYMINGTON: We were discussing the operation of the air line and that still stands.

Mr. JACKMAN: And that affects ticket offices, too. You would expect that it would not be feasible to continue competitive ticket offices in the same premises as the C.N.R.?

Mr. SYMINGTON: As a matter of fact, on the question of ticket offices my own judgment and experience has shown that even though we are a part of the C.N.R. we do not want our ticket offices in theirs. You see we wet-nurse all you people from the time we think you want to fly. We pamper you, we telephone you, we look after you, the stewardess pets you. The railroads have not been brought up that way. It is entirely a new selling proposition. It has been our experience that railroad ticket sellers do not make good air men, and we have very few of them.

Mr. JACKMAN: You would expect eventually then that there will be a complete separation?

Mr. SYMINGTON: That does not necessarily follow. There will be a complete separation even though we remain under the C.N.R. There will be very few C.N.R. ticket offices we use for T.C.A. tickets. That is, they will be there to sell but all the promotional selling, all the organizational selling will be done through T.C.A. ticket offices. That is the experience all over. It is a new art. It is an entirely different thing. The man who has been thirty years in a railroad ticket office is no good as an air salesman. You can count on that.

Mr. JACKMAN: Or a bank clerk either.

Mr. MUTCH: It simply means that while you may be divorced there is no reason why you may not still be friends.

Mr. SYMINGTON: We can still be friends although we are not divorced.

Mr. MUTCH: You can have your offices in the same building without necessarily cutting each other's throat.

Mr. JACKMAN: Mr. Symington, was one of the principal reasons why the American government compelled the separation of air lines from other transport companies, other forms of transport, because they felt that railway or shipping companies would not push the air service as much as it would be pushed if it were under independent operation and ownership?

Mr. SYMINGTON: I really could not answer what moved them. I might know what moved one individual man but you know just as much about it as I do reading in the paper.

Mr. JACKMAN: It is not my particular field.

Mr. SYMINGTON: I have not studied it because I was not interested. I did not care whether the United States separated them or not.

Mr. JACKMAN: You do not know.

Mr. SYMINGTON: That is a matter of policy for the government. I keep out of that. If you ask my private opinion, that is one thing; but as president of the T.C.A., I do not want to get mixed up with matters of policy.

Hon. Mr. HOWE: It may be they wanted to see some new names on the list of shareholders.

Mr. JACKMAN: I am only asking you as an operator whether you think that the T.C.A., or an airline, can be operated more economically, more efficiently, give better service, in conjunction with a railway or other means of transportation, or when it is entirely on its own feet. Naturally, it is a difficult question. It is high policy, but you are the man who carries it out.

Mr. HARRIS (*Grey-Bruce*): It is not a matter of policy in this case, is it: as far as the T.C.A. is concerned?

Mr. SYMINGTON: Well, it is a matter of policy. The line will be efficiently operated whichever way it is done, I can say that.

Mr. HARRIS (*Grey-Bruce*): An airline can be good whether dependent or independent.

Mr. SYMINGTON: This can, because we have had the experience.

Mr. LOCKHART: I see they have increased the amount of secretarial fees by \$3,000.

Mr. SYMINGTON: Yes, sir.

Mr. LOCKHART: What is the total amount paid in the way of secretarial fees?

Mr. SYMINGTON: That is the total amount.

Mr. LOCKHART: The total is \$3,000?

Mr. SYMINGTON: \$4,500.

Mr. LOCKHART: The airline is not sufficiently large to have its own secretarial staff?

Mr. SYMINGTON: We haven't got it and we use—

Mr. LOCKHART: The other?

Mr. SYMINGTON: —the other.

Mr. LOCKHART: That does not apply to the ticket sellers?

Mr. SYMINGTON: No, that is really a head office matter. The T.C.A. have no head office really, except the office of the secretary. That is about the size of it.

Mr. LOCKHART: You do not agree that there is justification for the T.C.A. setting up an independent secretarial staff?

Mr. SYMINGTON: That may be. If we see the need for it we will undoubtedly have our own secretarial staff.

Mr. LOCKHART: But at the present time you do not feel this would be justified?

Mr. SYMINGTON: We have been trying to run the airline just as economically as we possibly could, perhaps more economically than we should have under the circumstances. We have been very careful about it. We have not wasted any money and we have been getting on up to date with this arrangement. It may change at any time, it just depends upon what circumstances dictate as to the wise thing to do. It is perfectly flexible. We can set up our own secretarial staff to-morrow.

Mr. LOCKHART: \$4,500, paid to the C.N.R.; you feel that is a wise thing to do for the moment?

Mr. SYMINGTON: Yes, but when I come to a consideration of this matter of secretarial staff, adding \$1,500, I had to admit that wasn't enough. While there looks to be a large increase for one year, our secretarial staff over the last six years has really been entitled to more than they got because the work has grown very rapidly.

Mr. HARKNESS: How does your cost per mile flown compare with the American airlines, and with C.P.A.?

Mr. SYMINGTON: I cannot compare it with the C.P.A. I do not think I have seen any of their figures. Our cost per mile flown will of course be higher than the American for the reason which I indicated to you this morning. I did not see you here then, sir.

Mr. HARKNESS: Yes, I was here all morning.

Mr. SYMINGTON: The U.S. average figure is 86·21. The T.C.A. figure is 96·89, and the American lines range quite widely. And now, as I pointed out to you, the cost of our aeroplanes for the comparative line is practically double,

nearly double, because of duty and so on and so forth for instance, we have to charge up to our costs of flying that mile double depreciation; and in the instances I cited it meant \$100,000 per plane. There are three major items of cost: there is the gas; gas in Canada is expensive because of transportation and tax. We pay 28c for gas as opposed to an equivalent of 18c on the same gallon in the United States. That made a difference to us of \$417,000 in extra gas in comparison with the operating expense of the United States lines. In other words, 8.56 of the American expenses were for fuel, and 13.1 was our expense for fuel, due to the difference in price between 18c and 28c per gallon.

Mr. HARKNESS: I can readily see that your expense would be higher, taking those two items alone into consideration. Have you got the figures for C.P.A.?

Mr. SYMINGTON: No, I never had.

Mr. MAYBANK: They are not published.

Mr. SYMINGTON: No they are not published. I do not think it would be fair to compare them because they are in entirely different operations.

Mr. JACKMAN: Have you got a percentage breakdown of the dollar revenue, or the dollar operating cost, or both?

Mr. SYMINGTON: I haven't got that, but I have got a breakdown showing wages, salaries, fuel, taxes, insurance, depreciation, and so on.

Mr. JACKMAN: Could you give us that in percentage of dollars?

Mr. SYMINGTON: Yes, I suppose I could. This is the percentage of total expense—I could give you a comparison of that and the United States.

Mr. JACKMAN: Could you table that for us?

Mr. SYMINGTON: It is in a book here, I can get it tabled off it for you.

Mr. MAYBANK: Is it lengthy?

Mr. SYMINGTON: It is not lengthy.

Mr. MAYBANK: Why not answer the question then?

Mr. SYMINGTON: In answer to the question as to a comparison in 1944 between United States line and Trans-Canada: United States salaries and wages were 49.13 per cent, T.C.A., 44.6; fuel, United States, 8.56 per cent; Canada, 13.1 per cent; taxes, insurance, and depreciation, 11.71 per cent United States, 11.7 per cent in Canada; travelling expense, passenger supply and miscellaneous, 22.42 United States, Canada, 18.7; advertising, United States, 3.07, Canada, 0.7; repairs and materials, United States, 5.11, Canada, 11.2. The answer of course being that all our materials for repairs carry about 44 per cent duty. That is a division of the operating expenses.

Mr. HAZEN: How do you buy gasoline, who do you buy it from?

Mr. SYMINGTON: We buy it from all the companies I think, depending upon the facilities that they have near the airfield.

Mr. HAZEN: Do you call for tenders?

Mr. SYMINGTON: Oh yes.

Mr. REID: What do you do with the old oil, the residue oil?

Mr. SYMINGTON: We sell it. It is a very small item of revenue because it is run too thin under high operating temperatures. We sell the residue oil.

Mr. JACKMAN: Unlike like crown companies, T.C.A. is subject to all local taxes?

Mr. SYMINGTON: Yes.

Mr. JACKMAN: The only difference between private companies and yourselves in the matter of taxation is that they pay a larger income tax?

Mr. SYMINGTON: We are no different from any other company.

Mr. HAZEN: You do not have to pay provincial tax on the gasoline you use, do you—like the owner of an automobile does?

Mr. SYMINGTON: Yes.

Mr. HAZEN: You pay the same tax as an automobile?

Mr. SYMINGTON: Yes. We have made an arrangement whereby we pay one cent tax.

Mr. JACKMAN: You do not pay provincial taxes?

Mr. SYMINGTON: Yes.

Mr. REID: And the provincial tax is a road tax. Why would you pay a road tax where your vehicles use the air? You do not pay the tax in British Columbia. You do not pay a road tax. You do not use the road.

Mr. SYMINGTON: I will ask Mr. English to explain it. We pay the regular tax and get a rebate from the provinces and that brings it to one cent per gallon.

Mr. REID: What tax do you pay in British Columbia? Do you pay a road tax?

Mr. ENGLISH: They claim we use the road for our vehicles going to and from the airport.

Mr. REID: But not your aeroplanes?

Mr. ENGLISH: We get a refund and that brings it down to one cent per gallon.

Mr. HAZEN: Does that apply to every province?

Mr. ENGLISH: I think it applies to every province. For a while Quebec insisted on our paying the full tax.

Mr. REID: I think that is something which should be looked into. Even the farmer does not have to pay that tax if he does not use the road.

Mr. ENGLISH: It is called a gasoline tax, it is not called a road tax.

Mr. REID: That is what it is called.

Mr. ENGLISH: Definitely for that?

Mr. MAYBANK: It is just an ordinary revenue tax.

Mr. ENGLISH: We got it reduced to one cent a gallon.

Mr. JACKMAN: They do not charge on gasoline for use on launches in Ontario.

Mr. SYMINGTON: At any rate they try to tax us on it, rightly or wrongly. We have made an agreement whereby we pay in each province one cent per gallon.

Mr. JACKMAN: Do you use some of the Alberta gasoline on T.C.A.?

Mr. SYMINGTON: Not raw.

Mr. JACKMAN: I was wondering why your gasoline costs should be so much higher than the American lines.

Mr. SYMINGTON: It is a case of sales tax and transportation. It is the regular price.

Hon. Mr. HOWE: Why is the gasoline you use in your automobile more expensive than it is in the United States?

Mr. MUTCH: That is what we would like to know.

Mr. JACKMAN: What is wrong with the Alberta gasoline? Is the octane rating not high enough?

Mr. SYMINGTON: I do not know that I could explain that to you.

Hon. Mr. HOWE: You can buy gasoline cheaper in the United States anywhere than you can in Canada. It is produced in the States in volume and it is not produced in anything like the same volume in Canada.

Mr. BEAUDOIN: Did you say that Quebec insisted on your paying the road tax?

Mr. ENGLISH: In Mr. Godbout's time.

Mr. BEAUDOIN: And they stopped this thing in Mr. Godbout's time?

Mr. ENGLISH: Yes. I saw Mr. Godbout personally, we had a deputation.

Mr. BEAUDOIN: Did you ever pay the full tax?

Mr. ENGLISH: We paid it for one or two months and then we got a refund, and then after that they agreed to the same arrangement as the other provinces.

Mr. BEAUDOIN: When you made the agreement with them, was it the same as the agreement you negotiated with the other provinces?

Mr. ENGLISH: No, it did not exist in some of the provinces. The tax did not come into effect in all the provinces at the same time. Arrangements were made with each province separately. I think arrangements were made first with Manitoba, and then the other provinces fell in line. At that time we were using more gas in Manitoba than in any of the other provinces.

Mr. BEAUDOIN: Did you have any difficulty in getting in touch with the province of Quebec?

Mr. ENGLISH: No, we had very pleasant negotiations.

Mr. HAZEN: Do you call for tenders on your engine oils?

Mr. SYMINGTON: Yes.

Mr. HAZEN: Do they vary in price?

Mr. SYMINGTON: Some do, but in the quality we buy they do not vary very much; but we prefer some engine oils for some operations and some gasolines for some operations.

Mr. MUTCH: Have you a research department?

Mr. SYMINGTON: Yes.

Mr. HAZEN: I understood you to say that you pay 28 cents a gallon for gasoline?

Mr. SYMINGTON: That is right.

Mr. HAZEN: What do you pay for engine oil?

Mr. HARKNESS: I take it that is the average price?

Mr. SYMINGTON: Yes, western gas is much more expensive than eastern gas.

Mr. REID: Have you your own station for gas, and do you buy wholesale?

Mr. SYMINGTON: They have large tanks on the airfields where the gas is held. The average cost of lubricating oil per gallon is 75·50 cents.

Mr. JACKMAN: Did I understand you to say, Mr. Symington, that you divided up your fuel, gasoline and oil business, among the various companies operating in Canada, pretty well according to their standing?

Mr. SYMINGTON: No, it depends upon their location relative to the airfield largely.

Mr. BEAUDOIN: On page 13, item 608—Servicing, labour and supplies—and on page 14 I see item 681, salaries and wages—traffic.

Mr. ENGLISH: Yes.

Mr. BEAUDOIN: Does that item 608 include salaries?

Mr. ENGLISH: Item 608 is under the heading aircraft operation, maintenance and depreciation; the other is, traffic and general administration. For instance, the head office is under traffic and general administration; superintendence of operations, and all that sort of thing is under aircraft operation.

Mr. BEAUDOIN: Are your employees members of any trade union?

Mr. ENGLISH: Yes, some of them are.

Mr. BEAUDOIN: Which union is it?

Mr. ENGLISH: The A.F. of L., one of the machinists unions.

Mr. BEAUDOIN: And chartered by the Trades and Labour Congress of Canada, or the A.F. of L.?

Mr. ENGLISH: A.F. of L.

Mr. JACKMAN: Your purchasing is done through the C.N.R.?

Mr. SYMINGTON: The purchasing is through the C.N.R.

Mr. JACKMAN: And you do not do any yourselves at all?

Mr. SYMINGTON: It is practically all under the C.N.R.

Mr. JACKMAN: One might assume then that in hauling gasoline up to outlying points such as Kapuskasing and other remote points, the C.N.R. would save money, or would get the benefit of the haul for themselves?

Mr. SYMINGTON: I should not think so. I don't think so. The Imperial Oil Company, the British American Oil Company, Shell, and so on tender. The Imperial Oil Company, a large prominent company, sends in a bid for oil or gas, say to Halifax, where they happen to have a big plant, and they may tender at some other places where they have tanks adjacent to the airfield. The other oil companies do the same thing—there is British American, McColl-Frontenac, Shell—I don't know, I presume these oil companies tender on the T.C.A. business in just exactly the same way as they would tender to any other respectable company, and being respectable people, I do not know of any pressure being put on them.

Mr. JACKMAN: I see. It isn't C.N.R. who does the purchasing. The C.N.R. would also likely do the hauling to these remote points like North Bay and Kapuskasing.

Mr. SYMINGTON: I haven't any idea about that. I have no doubt that Imperial Oil divide their business with the C.P.R.

Hon. Mr. HOWE: I do not know who else would haul gasoline to Kapuskasing other than the C.N.R.

The CHAIRMAN: One at a time, gentlemen, please.

Mr. NICHOLSON: I was just observing, Mr. Chairman, that it would hardly pay the C.P.R. to run a branch line up to Kapuskasing just to haul oil for the T.C.A. airport at that point.

Mr. SYMINGTON: I take it that the C.P.R. would haul to Calgary and Regina; I do not know, but I expect that they would. That would depend on the policy of the oil company with respect to routing its shipments.

Mr. MUTCH: Anyway, you have no control over it.

Mr. SYMINGTON: We have no control.

Mr. JACKMAN: It is decided on the basis of cost, I presume?

Mr. SYMINGTON: Yes.

Mr. REID: I see that item 632, airport and hangar employees, there is a substantial increase?

Mr. SYMINGTON: Well, that is because of the increase in the Atlantic operation, I think. The increase in the airport and hangar operation is made up of payroll operations generally, \$93,000. That is an increase in our pay. It includes staff—management, chauffeurs, janitors, foremen, attendants, commissionaires, switchboard operators and nurses. The reservation department was up \$48,000; passenger services, \$50,000—which, of course, was an increase of 10 per cent; dispatchers, \$24,000—a 10 per cent increase; carter services, \$36,000—14 per cent increase.

Mr. REID: What about the increase in employees under the next item, there seems to be an increase there of \$250,000?

Mr. SYMINGTON: Exactly, yes. Have you the number of increase in employees, Mr. English? I can tell you where most of that is right off the bat. The hangar employees at Montreal grew from 234 to 533 to take care of the increase of Atlantic operations and of course that cost money.

Mr. HAZEN: What are clearance fees; that is item 607. What are they and to whom do you pay them?

Mr. SYMINGTON: Clearance fees, did you say?

Mr. HAZEN: Item 607.

Mr. SYMINGTON: Customs and all those sorts of things.

Mr. HAZEN: That would be chiefly paid in the United States, would it?

Mr. SYMINGTON: Yes, between the United States and Canada and Britain and Canada.

Mr. JACKMAN: Mr. Symington, there is very little increase in the air mail carried last year, in 1944 over 1943.

Mr. SYMINGTON: It is declining.

Mr. JACKMAN: I do not suppose we can look forward to any very great increase.

Mr. SYMINGTON: It is declining, month by month now, some.

Mr. JACKMAN: There were no additions which would have prevented it during 1944 or 1943. You seem to be bumping your maintenance unless you put pressure on to get air mail.

Mr. SYMINGTON: The answer is that we were in the war years when there was a great deal of air mail. That is what the real answer is, I think.

Mr. MUTCH: Do you not think that the cessation of twice as many postal deliveries all over Canada greatly reduced the advantage of air mail?

Mr. SYMINGTON: Of course that is the trouble. You take Winnipeg, for example. If you live outside the business area, there is no mail collection after 4 o'clock in the afternoon. The result is that if somebody posts a letter at 5 o'clock, it lies there until collection next day, and then it travels 24 hours later than it otherwise should have or roughly 24 or 20 hours or something like that. Then it goes east and there is only one delivery in the morning, and none in the afternoon. The result is that people say, "Well, what is the use of sending by air mail under those circumstances?" Business people continue it.

Mr. MUTCH: And with half the walks in Winnipeg, the mail leaves the local post office at 10 o'clock in the morning, and a letter that leaves us tonight will get there to the post office tomorrow morning, 20 minutes or half an hour after the postal walk has gone out, and it lies there 24 hours.

Mr. SYMINGTON: Yes. These things will right themselves. I have been discussing it with our people, having in mind negotiation with the post office. And while there is a slight decline, month by month now, due to the changing conditions of the soldiers, I have not any doubt that air mail will increase. We will go after it. We have not gone after it. I have not any doubt that it will increase; in fact, as somebody else says, I think in a few years that all first-class mail will be carried by air.

Mr. REID: On page 14, Mr. Symington, what is the meaning of items 675 and 676, fuel and oil—sales?

Mr. SYMINGTON: Sales? Those are sales to people who come to the airport. They fill up their tanks and we sell it to them just the same as anybody else.

Hon. Mr. HOWE: Private planes.

Mr. REID: Is that revenue?

Mr. SYMINGTON: That is revenue and the cost is, of course charged up. That is expense you are looking at. In the incidental services that I gave you. The revenues from it are in the incidental services.

Mr. JACKMAN: Mr. Symington, how much was paid to the Department of Transport for landing fields and any other payments to the Department of Transport?

The CHAIRMAN: It would be nice if we could adopt this report today. I do not know whether it is agreeable. We have been through it pretty well.

Mr. SYMINGTON: Approximately \$105,000 or \$106,000. That is some place near it.

Mr. JACKMAN: Are there any other fees paid to the Department of Transport for operation?

Mr. SYMINGTON: Well, we pay certain rentals for buildings and that sort of thing. I do not know what they are.

Mr. JACKMAN: I was wondering if you had a total break-down.

Mr. SYMINGTON: No. That is included on the figure we gave. That is the total we paid the Transport Department, \$105,000.

Mr. JACKMAN: Rental of buildings, rent of fields; are there any other items?

Mr. SYMINGTON: No, I do not think so.

Mr. HAZEN: Having regard to this item 614, do you make your own repairs to engines?

Mr. SYMINGTON: Oh, yes.

Mr. HAZEN: You make your own repairs?

Mr. SYMINGTON: Yes.

Mr. HAZEN: Then with regard to item 617, flying equipment insurance, is that money put aside in a trust fund that you mentioned?

Mr. SYMINGTON: Yes.

Mr. HAZEN: Who are the trustees—the company?

Mr. SYMINGTON: The officers of the company.

Mr. HAZEN: Yes.

Mr. SYMINGTON: Yes. Officers of the company.

Mr. REID: With regard to the item of rent of fields, buildings and offices, what rent do you pay for Sea Island?

Hon. Mr. HOWE: We do not rent Sea Island.

Mr. SYMINGTON: We pay landing fees.

Mr. HAZEN: What is your insurance fund invested in? There is no statement here.

Mr. SYMINGTON: All our insurance funds are in Canadian government securities.

Mr. COOPER: Yes, \$755,000.

Mr. SYMINGTON: \$755,000 in Canadian government bonds.

Mr. JACKMAN: That is company and employees?

Mr. SYMINGTON: That is the insurance fund.

Mr. JACKMAN: Contributory?

Mr. COOPER: Yes.

Mr. SYMINGTON: We pay for Sea Island about \$8,500 a year landing fees.

Mr. JACKMAN: What is the basis of renting fee charged by the Department of Transport?

Mr. SYMINGTON: I think it is \$100 the first schedule, \$50 the additional schedules.

Mr. JACKMAN: Schedule?

Mr. SYMINGTON: Regular fees all over; Canada, the United States, all over.

Mr. JACKMAN: In other words, for the first plane you land it is \$100 and the second plane the same day is \$50?

Mr. SYMINGTON: Yes, \$50.

Mr. ENGLISH: That is a month.

Mr. SYMINGTON: That is per month.

Mr. JACKMAN: That is pretty cheap, is it not?

Mr. SYMINGTON: Well, no.

Mr. HAZEN: To how many persons do you pay pensions?

Mr. SYMINGTON: Well, I do not know that we pay any yet. I hope not. We are too young.

Mr. HAZEN: What is item 695 on page 14, pensions \$133,000?

Mr. SYMINGTON: That is our contribution to the pension fund.

Mr. MAYBANK: That is your 5 per cent, is it not?

Mr. SYMINGTON: That is our 5 per cent contributed to the fund.

Mr. MAYBANK: You do not happen to know how big that fund is now?

Mr. SYMINGTON: Yes.

Mr. MAYBANK: You would know, Mr. Cooper, would you not?

Mr. COOPER: Yes.

Mr. MAYBANK: I was wondering how much is in there outside of the other 5 per cent.

Mr. SYMINGTON: I will give it to you; \$513,163.

Mr. MAYBANK: You mean that is the corresponding contribution to the \$133,000?

Mr. SYMINGTON: No. Our contribution is \$268,898.

Mr. MAYBANK: To date?

Mr. SYMINGTON: To date.

Mr. MAYBANK: Accumulated?

Mr. SYMINGTON: Yes.

Mr. MAYBANK: And the other contribution is a little bit more?

Mr. SYMINGTON: \$284,000.

Mr. MAYBANK: Just a few people put in more than 5 per cent?

Mr. SYMINGTON: Yes.

Mr. REID: If you have to land in any other field outside of the regular field, is that expense to the company? Do you bear the expense of transporting the passengers in?

Mr. SYMINGTON: Yes.

Mr. REID: It is not an expense taking them out to the field. They are taken out by taxi, I presume, and that is their own expense?

Mr. SYMINGTON: That is their own expense.

Mr. REID: But if you land in an emergency field, that is an expense?

Mr. SYMINGTON: Yes. We take care of that.

Mr. BEAUDOIN: If you start operating international lines, will you have Canadian crews stationed at every air port in foreign countries in order to service your planes when they land and when they take off?

Mr. SYMINGTON: Nobody but Canadian crews can fly our planes.

Mr. JACKMAN: Or service them? Mr. Beaudoin was asking about servicing.

Mr. BEAUDOIN: Yes, servicing.

Mr. SYMINGTON: That is a question which depends upon the view the company may have as to whether the organization which would service them is capable or not. In any event, we will have their own superintendents there if somebody else does the servicing. For instance, at the moment Scottish Aviation service our planes at Prestwick, Scotland, but we have men there to superintend it and see that what we want done is done.

Mr. BEAUDOIN: So you will have a crew at every air port.

Mr. REID: I move the adoption of the report.

Mr. JACKMAN: Just a minute. I am not through yet. Under aircraft and operation, maintenance and depreciation, passenger meals \$212,000 as against \$161,000. That is entirely an increase in the cost of food.

Mr. SYMINGTON: An increase in the cost of food, increased number of passengers and we hope a little better meal. I do not know whether it is or not.

Mr. JACKMAN: I notice depreciation is down substantially from \$490,000 in 1943 to \$304,000 in 1944.

Mr. SYMINGTON: Yes.

Mr. JACKMAN: Why is that?

Mr. SYMINGTON: That is because we did this big number 7 job on those thirteen planes and rebuilt them, we added one and a half years to the life of the plane, so that we were able to depreciate them that much less by reason of the great expenditures we made in our maintenance and operation.

Mr. JACKMAN: You made those expenditures in 1944 or 1943?

Mr. SYMINGTON: We made those expenditures in 1944.

Mr. JACKMAN: That is item number what?

Mr. SYMINGTON: 611, 612, 613, 614. The big ones are 608, 614 and 611.

Mr. MAYBANK: The expenditures there set down gave you a year and a half additional?

Mr. SYMINGTON: Yes. I may say with respect to our depreciation account that it is, if anything, over depreciated, not under.

Mr. BEAUDOIN: I second the motion, if it is in order.

Mr. MAYBANK: It is 6 o'clock.

The CHAIRMAN: Yes, it is 6 o'clock. I do not want to rush the committee.

Some Hon. MEMBERS: Carried.

The CHAIRMAN: The adoption of the report is moved by Mr. Reid and seconded by Mr. Beaudoin. If that is agreeable, we will call it a day.

Motion agreed to.

The CHAIRMAN: Now, with regard to the next meeting. What about Wednesday afternoon at 4 o'clock? That is tomorrow afternoon at 4 o'clock? Would that be agreeable to the committee, or do the committee wish to sit tonight.

Some Hon. MEMBERS: No.

The CHAIRMAN: Apparently not. Then we will meet to-morrow afternoon at 4 o'clock.

Some Hon. MEMBERS: Agreed.

Mr. BEAUDOIN: What is the next item?

The CHAIRMAN: Bill 21, I believe. Oh, yes, there is the auditors' report. Mr. Matthews did not read that when he read the C.N.R.'s report.

Mr. JACKMAN: I do not suppose there is any use in having the old post office contract, if we are going to tear it up.

Hon. Mr. HOWE: I do not know that there is very much use.

Mr. SYMINGTON: We have not got a post office contract.

The CHAIRMAN: Then we can adjourn until to-morrow afternoon at 4 o'clock.

The committee adjourned at 6 p.m. to meet again on Wednesday, October 31, at 4 p.m.

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Canada - Railways and Shipping
Standing Committee, 1945

SESSION 1945

HOUSE OF COMMONS

CAI XC15

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(STANDING COMMITTEE)

ON

(RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

WEDNESDAY, OCTOBER 31, 1945

THURSDAY, NOVEMBER 1, 1945

WITNESSES

Mr. H. J. Symington, C.M.G., K.C., President, Trans-Canada Air Lines.

Mr. M. F. English, Vice-President, Trans-Canada Air Lines.

Mr. O. A. Matthews, of the Firm George A. Touche & Co., Auditors.

Mr. G. Herring, Post Office Department.

OTTAWA

EDMOND CLOUTIER

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1945



ORDER OF REFERENCE

WEDNESDAY, 31st October, 1945.

ORDERED:

That the name of Mr. McLure be substituted for that of Mr. Harris (*Danforth*) on the said Committee.

Attest

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORT TO THE HOUSE

THURSDAY, November 1, 1945.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government begs leave to present the following as its

THIRD REPORT

Your Committee has considered the following bill which was referred to it on 29th October, 1945 and has agreed to report same without amendment:

BILL No. 21—"AN ACT TO AMEND THE TRANS-CANADA AIR LINES ACT, 1937".

All of which is respectfully submitted.

RALPH MAYBANK,
Vice-Chairman.

MINUTES OF PROCEEDINGS

Room 429,

WEDNESDAY, October 31, 1945.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government met this day at 4 o'clock p.m. Mr. S. Murray Clark, Chairman, presided.

Members present: Messrs. Clark, Beaudoin, Belzile, Bourget, Emmerson, Gibson (*Comox-Alberni*), Harkness, Harris (*Grey-Bruce*), Hazen, Jackman, Maybank, McCulloch (*Pictou*), McLure, Mutch, Nicholson, Picard, Reid, Shaw.

Honourable C. D. Howe, Minister of Reconstruction, was also present and took part in the proceedings.

In attendance:

Officers of Trans-Canada Air Lines: Mr. H. J. Symington, C.M.G., K.C., president; Mr. W. F. English, Vice-President; Mr. T. H. Cooper, Comptroller.

Auditors: Mr. O. A. Matthews and Mr. F. M. Stone, of the firm of George A. Touche & Co.

Officials of the Department of Transport: Mr. C. P. Edwards, O.B.E., Deputy Minister; Mr. R. H. Lang and Mr. A. B. Hopper.

Mr. G. Herring of the Post Office Department.

The Committee considered the Report of the Auditors to Parliament as it relates to Trans-Canada Air Lines.

Mr. O. A. Matthews was called. He presented the Auditors' Report and questions thereon were answered by the witness and also by Mr. Symington.

On motion of Mr. McCulloch (*Pictou*), the said Report was adopted unanimously.

The Committee then considered Bill No. 21 intituled, "An Act to amend The Trans-Canada Air Lines Act, 1937".

The said Bill was severally read and examined clause by clause, and Sections 1, 2, 3, 4, 5 and 6 thereof were agreed to.

Mr. Symington and Mr. G. Herring were heard in relation thereto.

At 6.10 o'clock p.m., the Committee adjourned to meet again at 4 o'clock p.m. Thursday, November 1st., 1945.

Room 429,
THURSDAY, November 1, 1945.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government met this day at 4 o'clock p.m. Mr. S. Murray Clark, Chairman, presided.

Members present: Messrs. Clark, Beaudoin, Belzile, Bourget, Emmerson, Gibson (*Comox-Alberni*), Harkness, Harris (*Grey-Bruce*), Hazen, Jackman, Maybank, McCulloch (*Pictou*), McLure, Moore, Mutch, Nicholson, Reid, Shaw.

Honourable C. D. Howe, Minister of Reconstruction, was also present and took part in the proceedings.

In attendance: Mr. H. J. Symington, C.M.G., President, Mr. W. F. English, Vice-President, of Trans-Canada Air Lines; Mr. C. P. Edwards, Deputy Minister of Transport; Mr. R. H. Lang and Mr. A. B. Hopper of the Department of Transport; Mr. G. Herring, of the Post Office Department.

The Committee resumed from the previous meeting consideration of Bill No. 21, intituled: "An Act to amend The Trans-Canada Air Lines Act, 1937".

Sections 7, 8, 9, 10 and 11 of the said Bill were severally read, examined and agreed to one by one. The title was also agreed to.

Mr. Symington and Mr. Herring were heard in relation thereto.

Mr. McCulloch (*Pictou*) moved that the said Bill be reported to the House without amendment and the question being put the motion was carried by the following division: Yeas 12, Nays 3.

It was agreed that the following members be nominated to act with the Chairman as a sub-committee to draft a Report to the House on matters referred to the Committee other than Bill No. 21: Messrs. Beaudoin, Harris (*Grey-Bruce*), Jackman, Maybank, Nicholson and Shaw. The sub-committee to submit the draft-Report to the Committee for consideration at a later date.

The Chairman, Mr. S. Murray Clark, expressed the thanks of the Committee to the Minister of Reconstruction and the Officers of Trans-Canada Air Lines for their attendance. Also to the members of the Committee for their co-operation.

At 5 o'clock p.m., the Committee adjourned to meet again at the call of the Chair.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, October 31, 1945.

The standing committee on Railways and Shipping met this day at 4 o'clock p.m. The Chairman, Mr. S. M. Clark presided.

The CHAIRMAN: Gentlemen, I think last night at 6 o'clock the next order of business was the report by the auditors on Trans-Canada Air Lines. When we were dealing with the other reports I think we had Mr. Matthews read the report, and then any discussion took place afterwards. Is that procedure agreeable with the committee?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: All right, Mr. Matthews.

Mr. O. A. MATTHEWS: Mr. Chairman and gentlemen, you will recall that on Thursday we dealt with our report excepting page 6 which deals with the Trans-Canada Air Lines, because at that time the accounts had not been considered by the committee. It reads as follows:

TRANS-CANADA AIR LINES

The Trans-Canada Air Lines has not been included as a constituent unit of the National System although 100 per cent stock ownership of the Air Lines is vested in the Canadian National Railway Company.

Supplementing our audit certificate appended to the accounts published by the Air Lines, we make the following comments on the income account and balance sheet:—

Income Account

Mail revenue is based on the rates per plane mile flown in approved mail services in accordance with the trans-Canada mail contract.

The surplus for the year 1944 amounting to some \$7,000 is after making provision for the general expenses of operation and:—

- (a) Interest 5 per cent on the "capital invested." For the purposes of the trans-Canada contract, the paid-up capital stock has been taken as representing the "capital invested";
- (b) Depreciation of ground facilities;
- (c) Depreciation of flying equipment—at reduced rates due to extension of estimated service life;
- (d) General taxes;
- (e) Company's portion of pension accruals under the air lines 1943 plan and
- (f) Company's portion of pension accruals for transferred employees remaining under the C.N.R. 1935 plan.

The total of provisions (a) to (f) approximates \$1,104,000.

The surplus for the year shows a decrease of some \$140,000 in comparison with 1943. Broadly speaking, this decrease in the surplus is accounted for by the much higher ratio of direct operating costs to revenues together with increased charges for pensions—less substantial reductions in the provisions for depreciation, inventory and insurance reserves in 1944. The higher ratio of operating costs is partly attribut-

able to major overhauls, necessitated by war-time conditions and designed to extend the service life of flying equipment beyond the original estimate. Based on the estimated extension of service life, the company reduced the rates of depreciation for flying equipment and made no provision to increase the inventory reserve in 1944.

Balance Sheet

The insurance fund is composed of cash and Dominion of Canada securities. The year-end market value of the securities exceeded the book figure. The fund increased approximately \$234,000 during the year with no major loss claims being reported outstanding at the date of the balance sheet.

Investments in property and equipment are carried on the basis of cost. The net additions and betterments during the year approximated \$829,000, the principal addition being the purchase of 3 Lockheed aircraft including spare engines and radio equipment.

The amount of paid-up capital stock remained unchanged in 1944. In respect of pension plans, it should be noted that:—

- (a) Under the air lines 1943 plan, which is maintained on an accrual basis, the cash contributions by the company and employees presently in service are invested through the separately administered pension trust fund, the accounts of which are not included with those of the air lines. Apart from the foregoing, the company has made provision in its accounts covering employees' contributory rights not yet exercised.
- (b) The contributions by transferred employees presently in service, who have elected to remain under the C.N.R. 1935 plan, are invested through the separately administered pension trust fund under that plan, the accruals for which the company is liable in respect of transferred employees being paid to the Canadian National Railways.

The accounts of the Trans-Canada Air Lines are stated in Canadian currency converted mainly at the par of exchange.

We have received the customary certificates from the responsible officers of the air lines relating to current maintenance and physical retirements of capital assets.

In respect of the air lines the test audit for the year 1944 was similar in scope to that of the National System previously outlined in this report.

Yours faithfully,

GEORGE A. TOUCHE & CO.

The CHAIRMAN: Are there any questions?

Mr. JACKMAN: Mr. Matthews, we had the item of depreciation up at the last meeting, and it was brought out there that considerable sums were spent on refurbishing the engines and planes which gave them an extra life of a year and a half. I presume this new depreciation rate is amortization on the cost spread over the period, plus a year and a half. Is that it?

Mr. MATTHEWS: Yes. The major overhauls extended the estimated service life of the equipment up to 1946 for the majority of the planes and for some of the Lodestars up to the end of 1947. On that point, the depreciation of aircraft, propellers, engines and so forth decreased during the year by about \$300,000. But if you would turn to the operating expense accounts and refer particularly to the repair accounts—

Mr. JACKMAN: We noticed that yesterday.

Mr. MATTHEWS: —you would find that the increase for 1944 was \$374,000. We have to take into account, of course, the increased plane mileage flown. But taking that into account, the figure would be \$312,000 on the basis of the same plane mileage. That indicates the extent to which major overhauls are charged in the 1944 accounts.

Mr. JACKMAN: You feel perfectly satisfied as auditor that the change, if you like, in the method—of course, for a good reason—truly reflects the accounts of the company and the position of the company?

Mr. MATTHEWS: Yes, Mr. Jackman; because under the conditions existing in the last year having to do with the purchase of new equipment, we all know it just was not practicable; and the original service lives given to the planes had to be extended if they were to continue to operate with safety. So there was no other choice that we could see but to extend the original service life of the planes by these major overhauls. In view of the fact that the decrease in the depreciation on the flying equipment is exceeded by the amount of major repairs, after taking into account the increased plane mileage flown, we think that is a fair indication. I should like to say this too, Mr. Jackman, that the proof of that will be when the end of 1946 and 1947 arrives, because naturally we have to use our best judgment in these matters but we are not prophets. Out of the 26 planes, 17 of them under this revised depreciation rate would run out at the end of 1946 and 9 at the end of 1947. In other words, if the present fleet remained in service until those dates, the depreciation rates as revised will have been substantiated. Then, of course, there is the further possibility of sale value, of which we are not in a position to judge. But all things taken together, we feel that the accounts reflect a fair picture, having regard to the necessary major overhauls.

Mr. JACKMAN: I do not think from looking at the statement that we could possibly do other than compliment the line on their general depreciation policy.

Mr. MATTHEWS: Yes.

Mr. JACKMAN: But with respect to the year 1944, and perhaps in view of the fact that there may have been over depreciation or depreciation that was on a very conservative basis, to say the least, do you think they drew upon their surplus or fat as it were, to reduce the amount that they had to set up for 1944?

Mr. MATTHEWS: For depreciation?

Mr. JACKMAN: Yes, for future years. Mind you, in the end everything will be all right. But I want to know with respect to the year 1944, looking at it on its own feet alone and not at the conservative policy adopted in the foregoing years, was a sufficient amount set up for 1944? I know you will arrive at the right end if you continue until 1946 and 1947.

Mr. MATTHEWS: You must take into account your repair costs.

Mr. JACKMAN: Yes. I grant you that. I am only asking your opinion.

Mr. MATTHEWS: That is what I say. We could only form that opinion if we could see that the repair costs per mile flown for 1944 were sufficiently higher to merit the decrease in the depreciation accrual for 1944. That is the thing that justifies it in our mind. If repair costs in 1944 had remained stationary per plane mile flown, even if these planes did continue in operation until 1946 and 1947, there would be the point that you bring up, that we would have been drawing, as it were, on the conservative policies of the previous years. But in view of the increased plane mile costs for overhaul repairs, we do not think that that is the case.

Mr. JACKMAN: I believe at another sitting in a prior year it was brought out that the president did not receive any remuneration at all directly from the T.C.A. but merely got his remuneration as a director of the C.N.R.

Mr. MATTHEWS: Yes.

Mr. JACKMAN: That is so? That continues so?

Mr. MATTHEWS: Yes.

Mr. JACKMAN: Of course, if the president were paid the amount that I think all of us will say he is worth, it would be a substantial item in the operating expenses. It would, I should think, turn that little surplus of \$7,000 odd into something less than 5 per cent earned on your capital. In your opinion, Mr. Matthews, what should a man who can discharge well the functions of president of an air line as large as T.C.A. receive annually?

Mr. MATTHEWS: Now, Mr. Jackman, you would not expect me to answer that question, would you?

Mr. JACKMAN: I certainly would.

Mr. MATTHEWS: The arrangement is that the Canadian National Railways supply certain services.

Mr. JACKMAN: Do you think that accounts for a lot of this surplus they gave us last year?

Mr. MATTHEWS: But, Mr. Jackman, I think if I remember correctly, Mr. Symington said yesterday that the arrangement between the C.N.R. and the air lines was one of benefit to both. We agree with that statement.

Hon. Mr. HOWE: How much do you think Mr. Symington's services are worth?

Mr. JACKMAN: To T.C.A.?

Hon. Mr. HOWE: Yes.

Mr. JACKMAN: You could not begin to bet them on the market for \$25,000, and I do not know how much higher he should be paid. But if he gets \$25,000, as he is getting, I do not know why he does it. I suppose it is love of country, the same as some of the rest of us.

Mr. BEAUDOIN: How does the salary of the actual president of T.C.A. compare with the salaries paid to the president of similar companies in the United States?

Mr. JACKMAN: He does not get anything. He is a public servant.

Mr. MATTHEWS: I do not think you can predicate accounts on the hypotheses as to what they should be "if". The fact of the matter is that at the present time it is not costing T.C.A. any money.

Mr. JACKMAN: Here we have a gentleman of high executive calibre whose services now given to T.C.A. could command a very substantial sum in the market, but who for reasons of his own sees fit to devote his time and energies in part to T.C.A., and there is no charge for that. I am suggesting that if there had been a charge at all commensurate with the quality of his services it would have been an additional item in the operating expenses which would have had a serious effect on the surplus account which now shows a balance of \$7,409 in favour of the company, and that would have been turned into a deficit. You do not disagree with my generalizations?

Mr. MATTHEWS: If there had been a salary of \$25,000 or \$50,000, the results would have been changed by that amount. We could not go beyond the fact that T.C.A. are enjoying the services of Mr. Symington and you gentlemen are in a position to approve their value. But they are not reflected in the costs because T.C.A. does not have to pay.

The CHAIRMAN: Are there any other questions?

Mr. JACKMAN: In the last paragraph—I have only got this French version and I am not getting on very well with it—but at the bottom of page 6 you mentioned that there was a decrease in the appropriation for pensions depreciation inventory. What were the totals for the two years and what is the relation between them.

Mr. MATTHEWS: Depreciation on equipment decreased \$299,600. Depreciation on ground facilities decreased \$40,000, and in that case it was because the depreciation period was over. In other words, the assets were fully depreciated so far as certain ground facilities were concerned.

Mr. JACKMAN: I did not get all those figures.

Mr. MATTHEWS: On aircraft they were \$300,000; on ground facilities, \$41,000; and on insurance \$145,000.

Mr. JACKMAN: These are the decreases?

Mr. MATTHEWS: That is right, of the special items we mentioned, and the inventory adjustment, \$238,000.

Mr. JACKMAN: What do you mean by adjustment, exactly?

Mr. MATTHEWS: That is related to the extension of the service life of the planes. In 1943 the depreciation rate was based on the original level of three and four years. The purchase of parts for the planes had created an inventory that, over the original expectation of life, would not have been used up in service. Therefore, it was deemed advisable to make a reserve against that. The reason why these inventories were piled up was that the company had to purchase the spares when they were available. But with the extension of the life of the planes, the apparent surplus now in the stores has already been provided for in the reserve which was created in 1943. It was the original intention to make a reserve of a similar amount in 1944. But that was before the major overhaul program was decided upon. So, naturally, if an increase in the reserve was not required in 1944, the charges would show a decrease in comparison with 1943. Would you like to identify that item?

Mr. JACKMAN: The \$238,000 is the difference?

Mr. MATTHEWS: The difference is \$238,000.

Mr. JACKMAN: Between the inventory reserves?

Mr. MATTHEWS: Account Six-fifty-two, Mr. Jackman. You see, in 1943 there was an appropriation of \$230,000.

Mr. JACKMAN: In 1943 you set up \$230,000 which you charged to operating expense as a reserve against inventory?

Mr. MATTHEWS: That was regarded as part of surplus stores at that time.

Mr. JACKMAN: And then, in the 1944 accounts you transferred that \$230,000 back?

Mr. MATTHEWS: No. We did not make a similar charge in 1944, Mr. Jackman, on account of the extended service life of the planes. It is now considered that the reserve that has been established will be sufficient to take care of the surplus stores at the end of 1946 and 1947 when the presently estimated service life of the planes is run out.

Mr. JACKMAN: But you get minus \$7,238?

Mr. MATTHEWS: Minus \$7,138, because in 1944 there were some minor adjustments that created a credit. Then, on the other side, pensions increased \$107,000. Those were the special items to which we made reference.

Mr. REID: I have a question to ask Mr. Matthews. I note on page 7 of the annual report, in speaking of airway facilities, it speaks of the Department of Transport's improving runways and field facilities, airport lighting and navigation aids required for the safe and scheduled conduct of air operations. Perhaps it is not within your scope, but I was just wondering what the amount would be if the Transport department did not do that. It would certainly be an added cost to the operations of T.C.A. It would be interesting to know just what services the Department of Transport provide. After all, this committee is entitled to know how much the public is contributing towards that work and

how much the company is getting, apart from its passenger revenue. Here there seems to be an item which, if they had to pay for it themselves, would be fairly costly.

Mr. MATTHEWS: I am afraid the Department of Transport would be the source of that information.

Mr. REID: I shall certainly inquire about it from the Department of Transport because I want to have the complete picture. Sometimes we hear about the postal department doing so well, but on the other hand you may go back and dig into that.

Mr. SHAW: I brought up this same matter the other day and I concur in the view expressed by Mr. Reid. I feel it is very difficult to get a true and correct picture if we do not know the extent to which the Department of Transport has made expenditures on behalf of the operations of T.C.A. And in the same connection, I would second the observations by Mr. Jackman with respect to the salaries which have to be paid in the future, when T.C.A. has its own president. I think those are very important items. I would support Mr. Reid in asking that that information be supplied at the earliest possible moment.

Mr. HAZEN: On page 50 of the estimates for 1946, under airways and airports, construction and improvements, including lighting and radio facilities, \$2,419,250, those facilities may not all have been used by T.C.A.?

The CHAIRMAN: It is too bad that these questions could not have been asked when the Minister of Transport was here because there is no one here now.

Mr. JACKMAN: It is one of the major subjects of this investigation and I would say that it was certainly not due to any oversight when this subject was brought up.

Hon. Mr. HOWE: I can relieve your mind on that. I am the minister who is responsible for airports. It has nothing to do with T.C.A. T.C.A. operates on the theory, just as any other airway does, that the airports are not their responsibility. If the airports are not suitable, then they cannot go to them.

Mr. JACKMAN: The exact difficulty, Mr. Howe, is when you leave the realm of private enterprise, where individual items are on their own footing, you do not know where you are at. Consequently one has to ask questions, in order to get things clarified. Here we have a man like Mr. Symington serving free of charge.

Hon. Mr. HOWE: Do you object to it?

Mr. JACKMAN: No, I do not, but it is unusual.

Hon. Mr. HOWE: It is not unusual. We have had fifty doing the same thing within the last five years. It may be unusual for some men, but usual for others. That is the only difference.

Mr. JACKMAN: That is right, but I do think it is an unusual circumstance, if we look upon T.C.A. as a business concern. That is what is in the minds of some of the members, at least, around this table, because we want to know what the true operating costs are not only as they are reflected in the accounts which are opposite, but with respect to those items which are left out. I do not think you will get a president who will not expect some remuneration for his services.

Hon. Mr. HOWE: That is why a public operation can operate in the black where a private operation operates in the red.

Mr. JACKMAN: I do not understand what you are saying.

Hon. Mr. HOWE: It is one reason why this operation is in the black and why another operation is in the red.

Mr. JACKMAN: That may be one of the reasons but here you have got expenditures which dwarf the total capital invested in the T.C.A. into a mole hill, expenditures on the part of the Department of Transport in the way of

providing facilities. All that this committee wants is an examination of them to make sure that we at least pass our judgment on them in our capacity as representatives of the House of Commons on this committee, and because we have the responsibility of reporting back to the House.

I feel we should know what the tie-in is between the departments, the T.C.A., if you like, and the Department of Transport. There is a feeling which I think is quite well justified that the tie-in is so close that we are never quite sure just how things are. Yesterday, Mr. Symington said that as long as he was there things were going to be run on a strict businesslike basis. I take no exception to that but it is hardly a businesslike basis to have Mr. Symington's services donated to the T.C.A.

Hon. Mr. HOWE: As a matter of fact the airport position is quite clear. It is the same in Canada as it is in the United States, the United Kingdom or any place else. St. John is very anxious to get service from the Trans-Canada Air Lines. Trans-Canada Air Lines like to give service, but they cannot give service because there is no airport. Until somebody builds an airport there they will not be able to give service. The same would apply to the city of Montreal if they had no airport, or to the city of Toronto. The state builds the airports.

Mr. SHAW: There is a difference though between a privately owned airport if there is such a thing and a government owned airport because out of taxation must come the money to maintain the government airport.

Hon. Mr. HOWE: The only difference is whose taxation. With a city airport it comes out of municipal taxation; with a federal airport it comes out of federal taxation.

Mr. SHAW: This is a nationally owned enterprise, not a municipally owned enterprise.

Hon. Mr. HOWE: There are privately owned enterprises that use the same airports.

Mr. SHAW: We are not dealing with those.

Mr. SYMINGTON: May I ask is it not the same thing? Whether it is run by a public or a private corporation neither of them build airports. No private concern ever builds an airport and no public concern builds an airport. Whether the company is publicly owned or privately owned makes no difference as to the subject you are discussing. If this line were run by the Canadian Pacific Air Lines or any other air line they would not build airports. Neither do any of the private companies in the United States or in any other country. Neither do they build docks if they are running ships or anything of that kind. You operate an air line and land at airports which are prepared, and it does not make any difference, as I see it, whether it is publicly owned or privately owned as to this subject you are discussing, namely who builds the airports? The dominion government in any event builds the airports; the United States in any event builds the airports; the British government in any event builds the airports, and the French government builds the airports. All governments build the airports. It does not matter who operates the line as far as airports the line as far as airports are concerned.

Mr. JACKMAN: We can see all that, but we have the government through its chosen instrument desiring to have a monopoly of all important air lines in the country and issuing an order to those Canadian companies which are now operating and which might use these airports to divest themselves of their air services. That applies to the only other main competitor, and the situation is very close. Of course, some of us are of a suspicious nature. That is our business.

Mr. SYMINGTON: I realized that.

Hon. Mr. HOWE: You have noticed that.

Mr. JACKMAN: We are therefore entitled to find out those facts which we consider relevant. If by some ruling of evidence it is shown that we cannot get the facts we can always go downstairs and plead our case there but while we are here we certainly want to know what is the total cost to the people of Canada of providing air transport on the main lines where T.C.A. is the only operator. It is similar to a man having a farm in western Canada which is very poor land and needs irrigation. He pays \$5,000 for his farm. Then the government comes along and spends \$50,000—in fact, the relationship is more nearly \$100,000—on irrigation, and it is said that the man makes a return of 5 per cent on \$5,000. That is not the return at all on the total expenditure.

We have a somewhat similar case in front of us at the present time. In spite of the fact that all countries provide airports we might just as well argue about docks and lighthouse facilities that the government does not provide the right of way. True they are providing landing grounds and railway stations and everything else, but why should we compare it with steamship docks? Why not compare it with land transportation?

That brings me to the matter that the T.C.A. will be competing and is now competing with the railways which have to provide their own rights of way and their own terminal facilities. It also brings to mind the fact that the government owns the T.C.A. and wants to expand it and drive private competition out. Yet you have the two government services competing with each other. It is the same thing with the argument that goes on between truck owners and railway operators. The truck owners do not pay for the roads except in a very moderate way in gasoline taxes, and the railways cannot compete. They have to keep up their roadbeds and all their facilities while the local governments provide roads free of charge to the trucking industry. It is a very vital question.

Mr. NICHOLSON: The C.P.R. has not done too badly during the past at public expense. They had their land grants.

Mr. HAZEN: Steamship companies do not pay for the docks but they pay for the use of the docks?

Mr. SYMINGTON: We pay landing fees at the fields.

Mr. HAZEN: In connection with railway transportation the railways put up their own stations?

Mr. SYMINGTON: That is true. Mind you, the railways got their rights of way through government grants. I am not going into that. All I say is that as the T.C.A. is being examined here we have not the slightest idea of the cost of the airports. I cannot give you that information; that is all. No other air line can give it to you.

Mr. MUTCH: It does not affect your operation at all?

Mr. SYMINGTON: It is not a part of our operation. That is not what we are here to do. I cannot give that to you because I do not know.

Mr. JACKMAN: We are not questioning you particularly. It comes up quite properly under the bill.

Mr. NICHOLSON: The discussion does come up under this auditor's report, does it not?

Mr. MATTHEWS: Mr. Chairman, on that point without having any part in the discussion about the merits or demerits of the supplying of these facilities by the Department of Transport, or whether Mr. Symington should serve with or without salary, I should like to make it clear that as far as these accounts and the information given to this committee are concerned the facts are made abundantly clear. I think that that is something we should bear in mind in

this discussion. We do not want any misunderstanding that the accounts, or the information given in relation to these accounts, fail in any particular to set out important information of that kind. The information is given to this committee and it is set forth in a way that there cannot be any misunderstanding.

Mr. REID: What was the reason for the increase in the amount provided for pensions? In 1943 it was \$42,000.

Mr. MATTHEWS: \$26,000. In 1943 there were just six months. The pension plan became operative the first of July, 1943. That is one of the reasons. That is just half a year. In 1943 there was also an adjustment because of an over-estimate that was made in the previous year when the reserve was set up in anticipation of the pension plan coming into being.

Mr. REID: It seems such an increase.

Mr. MATTHEWS: To begin with the pension plan was only in effect for half a year in 1943.

Mr. REID: The other question I had in mind was speaking about the surplus on page 6.

Mr. MATTHEWS: Which?

Mr. REID: The surplus for the year shows a decrease of some \$140,000 in comparison with 1943. The question there is is the provision for depreciation, inventory and insurance reserve in 1943 greater than 1944?

Mr. MATTHEWS: I have tried to explain that to Mr. Jackman. I will repeat it for you.

Mr. REID: No, I will find it in the record.

Mr. MATTHEWS: I have no objection.

Mr. REID: You gave it in detail?

Mr. MATTHEWS: Yes, but I will be glad to give it to you again.

Mr. REID: That is not necessary.

The CHAIRMAN: Any other questions, gentlemen?

Mr. McCULLOCH: I move that the report be adopted.

Mr. PICARD: I second the motion.

The CHAIRMAN: It has been moved and seconded that the auditor's report be adopted.

(Carried)

The CHAIRMAN: We have left now bill 21.

Mr. REID: When do we discuss the mail contract?

The CHAIRMAN: I believe under the bill. Just before we start I should like to mention that Mr. McLure has taken Mr. Harris' place on the committee.

Mr. HARRIS (*Grey-Bruce*): Mr. Harris of Danforth.

Mr. REID: As long as he does not want another ferry.

Mr. McLURE: I might take this opportunity to say that I have been at other meetings but I was not privileged to have anything to say. I want to ask the chairman now would it be in order at some future meeting for me to refer back to that particular part which I am interested in, the Borden ferries? It is just for the sake of getting some information that I think should have been recorded at that time.

The CHAIRMAN: Mr. McLure, I know that the committee is anxious to give you every consideration. What does the committee think about Mr. McLure's request? When would be an opportune time for him to say a few words about that?

Mr. REID: What about witnesses?

The CHAIRMAN: Perhaps the officials are here to answer that question? I am not sure.

Mr. REID: Unless they are here it is going to be difficult for Mr. McLure to get the information he desires.

Mr. MUTCH: They have all been dismissed.

The CHAIRMAN: How long would it take?

Mr. McLURE: Leave it over to the next meeting.

Mr. HAZEN: When will the next meeting be? We may not have another meeting for some time.

The CHAIRMAN: The Canadian National officials are not here. I do not know which one would answer your question.

Mr. McLURE: There might be one of them here who could answer it at the next meeting.

Mr. HAZEN: If Mr. McLure does not speak now he may have to hold his peace for some time.

Mr. McCULLOCH: I think that has been gone over.

The CHAIRMAN: I know that the committee wants to be courteous to Mr. McLure, and I want to, too. Now, we will take up bill 21. I think it was suggested that the minister say a few words about bill 21 before it was discussed by the committee. Does that meet with the approval of the committee?

(Agreed)

Mr. MAYBANK: Have you got plenty of copies of the bill there?

The CHAIRMAN: Just a minute, and we will get a few more copies.

Hon. Mr. HOWE: The purpose of this bill was discussed fully in the House of Commons on the resolution and again on second reading. The purpose is to put Trans-Canada Air Lines in a position to undertake largely added responsibilities, through the operation of lines outside Canada. The bill increases the capital of the organization and also changes the basis for the mail contract.

The original bill provided that the mail contract would be automatic. It provided that the line would charge for passengers a roughly competitive rate with that of United States lines and that express and other charges would be similar to those of United States lines, but that the mail rate would be reduced, any increase in earnings, that is, that any earnings of the line would be charged 50 per cent to reducing the mail rate and 50 per cent to the credit of the company.

It was an automatic feature. Once a contract was made the mail rate was adjusted automatically at the end of every year. That is found to be somewhat unworkable. The time has come when the demands of the passenger service exceed those of the mail service so far as the number of planes is concerned, and the result is that we are putting on three and four services, and perhaps should have five, six or seven services, whereas the requirements of the mail are satisfied by two or perhaps three services a day. The post office objected to carrying out the terms of the old Act in the matter of additional services. The result is that it seems at this time desirable to work out a different form of contract as far as the carriage of mail is concerned. This Act eliminates the automatic feature of fixing mail rates and leaves these negotiations between the air line and the post office department. It also leaves the governor in council free to add additional services on the recommendation of the minister responsible for the Trans-Canada Air Lines operations.

Mr. JACKMAN: What basis is that on? Is that on so much per pound of mail, per ton mile; what is the basis of that?

Hon. Mr. HOWE: We started with a rate of 60c per mile flown.

Mr. JACKMAN: Is that per ton mile?

Hon. Mr. HOWE: It is not ton mile, no; it is a mile flown. The post office had the right to put in as much mail as they wished to on any single flight up to 1,200 pounds, that 1,200 pounds would take priority over any other load.

Mr. REID: Would it take priority over passengers?

Hon. Mr. HOWE: Yes, it took priority over passengers. For that they paid the air lines 60c per flight mile flown.

Mr. JACKMAN: That would be over established routes?

Hon. Mr. HOWE: Over established routes, yes.

Mr. NICHOLSON: And every flight would be charged?

Hon. Mr. HOWE: Every flight would be charged, yes.

Mr. MAYBANK: That dropped down to?

Hon. Mr. HOWE: 42c. It was adjusted at the end of each year.

Mr. MAYBANK: That priority always remained in force?

Hon. Mr. HOWE: Yes.

Mr. JACKMAN: This terminology is confusing at times. When you say, "per flight operated", does that mean that if there are two flights a day, the post office department would have to pay twice as much as they would for one flight? Is that the way it works out?

Hon. Mr. HOWE: That is perfectly correct.

Mr. JACKMAN: And at the end of the year if there was a profit the contract rate would be reduced by 50 per cent?

Hon. Mr. HOWE: By 50 per cent of the profits.

Mr. JACKMAN: And if there is a loss?

Hon. Mr. HOWE: If there were a loss the contract flights would be increased.

Mr. REID: That is for the whole operation?

Hon. Mr. HOWE: Yes.

Mr. JACKMAN: Was the price increased by the full extent of the loss, or by 50 per cent of the loss?

Mr. SYMINGTON: By the full extent of the loss.

Hon. Mr. HOWE: By the full extent, was it?

Mr. SYMINGTON: Yes.

Hon. Mr. HOWE: There never has been any loss so it has not been applied.

Mr. NICHOLSON: Under the present contract have you information as to the cost per ton mile?

Hon. Mr. HOWE: It could be worked out. Have you got that there?

Mr. SYMINGTON: We have it.

Mr. NICHOLSON: Did you say you have that available?

Mr. SYMINGTON: Yes.

Mr. NICHOLSON: Mr. Herring, of the department, might have that.

Mr. SYMINGTON: We can get that.

Mr. JACKMAN: Was the rate originally in force reduced once, or twice?

Mr. SYMINGTON: There has been a drop every year, actually.

Mr. JACKMAN: But there has been no change in principle?

Mr. SYMINGTON: No, just simply applied to the contracts reducing it as we got more passenger earnings. The mail rate was reduced from 60c to 54c, to 50c and down now to 42c.

Mr. HARRIS: Should we not let the minister finish his statement? I think he was just in the middle of the mail contracts.

Mr. JACKMAN: He was going to give us the basis of the main contracts.

The CHAIRMAN: He is just busy for a moment.

Mr. NICHOLSON: While the minister is working out what he has there before him, I wonder if someone could tell us the rate paid to the Canadian Pacific Air Lines per ton mile?

The CHAIRMAN: That is not a matter which belongs to this committee. While Mr. Herring is here, I do not suppose he would have any right to give evidence unless he is called by the committee. Perhaps the T.C.A. could give any information which they might have.

Hon. Mr. HOWE: The mail rates for the Canadian Pacific are on a different basis; they are based on the pound of mail, or the ton of mail.

Mr. NICHOLSON: I thought we might have some basis of comparing what we have been paying to the C.N.R., and if we have the information we might be able to compare it with the C.P.R.

Hon. Mr. HOWE: I have no information on rates to the Canadian Pacific. I dare say Mr. Herring could be called later and give you that information.

Mr. MUTCH: Let us have the statement.

Mr. HERRING: There is really no comparison between the T.C.A. and C.P.A. because the situation with respect to each is decidedly different. The C.P.A. handles a diversified traffic, it carries everything; and it is not even air mail, particularly; it carries parcel post as well. I think the rate is 50c per mile.

Mr. MAYBANK: There are a number of different contracts, according to the route served.

Mr. REID: I think we better wait and go into that more fully at a later stage.

Mr. HAZEN: Let's have the minister's statement.

The CHAIRMAN: I think the minister should finish his statement. If the committee would agree to do that we could go on.

Hon. Mr. HOWE: I think my statement could better be made as we examine the bill clause by clause. Each clause brings up a new subject. I shall be glad to make a statement on each clause as I go along, if that will be satisfactory to the committee.

Mr. JACKMAN: I was thinking about what you said about the contract with the post office department; they are working for a revision of the principle?

Hon. Mr. HOWE: I do not know that they are asking for a revision, but there have been some differences of opinion which indicate to us that a revision is desirable. For instance, I have never had a letter from the post office asking for anything in that respect but the post office department have agreed to the terms of this bill. I presume that as they agreed to it they feel the time has come to revise the contract.

Mr. JACKMAN: The passenger end of the T.C.A. operation is increasing much more rapidly than the other, is it not?

Hon. Mr. HOWE: Yes, very much more rapidly, and will increase more rapidly. The mail proposition is one that is more or less stabilized at the moment; it may go back a bit and then increase again; but the passenger business is vastly greater than we have been able to service.

Mr. JACKMAN: If you were to have three or four times as many flights as you have now with the post office's business remaining more or less static, it would become almost intolerable to the post office, would it not?

Hon. Mr. HOWE: No, because the thing would adjust itself over a period. It might cost them a good deal more this year, but the adjustment in the mail rate would offset that next year. They might temporarily face a loss.

Mr. JACKMAN: But you say that they have not asked for a revision of the contract?

Hon. Mr. HOWE: No, not to me; no.

Mr. JACKMAN: It would appear that the contract would be working in the future against the post office department if carried on under the present arrangement.

Hon. Mr. HOWE: The difficulty is that it calls for joint action. It is very difficult for the post office. If we want to run in the middle of the day to serve passengers, they naturally say that it does not interest them, it does not serve mail and they are not inclined to agree. That puts them in a position of agreeing with something that means nothing to them even if other interests require service.

The CHAIRMAN: Would you like to take the bill up clause by clause and then have your general discussion afterwards? Would you like to do that, Mr. Howe?

Mr. MUTCH: Yes, that is a good start.

Hon. Mr. HOWE: That would be best.

The CHAIRMAN: If that is the best way to handle it.

Hon. Mr. HOWE: Shall I read the bill?

An Act to amend the Trans-Canada Air Lines Act, 1937.

His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:—

1. Subsection one of section seven of The Trans-Canada Air Lines Act, 1937, chapter forty-three of the statutes of 1937, is repealed and the following substituted therefor:—

7. (1) The authorized capital of the Corporation shall be twenty-five million dollars divided into shares of one hundred dollars each, represented by share certificates.

The CHAIRMAN: Are there any questions about that?

Mr. REID: Could we have an explanation for the increase from \$5,000,000 to \$25,000,000?

Hon. Mr. HOWE: The services to the United Kingdom, to South America and across the Pacific will require larger investment in planes; and also because of the likelihood of an increase in our domestic service it will be required to buy larger planes and to have more planes, and this provides the additional capital needed to carry on that expansion program.

Mr. GIBSON: Do you expect that this will be enough to provide sufficient capital for all the planes you require? They cost around a million dollars a piece.

Hon. Mr. HOWE: No, it will not, but we feel it will prove to be enough, so you see our capital is replenished quite rapidly by the depreciation account.

Mr. GIBSON: Oh yes, and I see from the report that that is on the basis of 25 per cent per year.

Hon. Mr. HOWE: Yes.

Mr. JACKMAN: How many shares of this new capital do you expect will be issued this year?

Hon. Mr. HOWE: Probably Mr. Symington could tell you that.

Mr. SYMINGTON: I would not expect any in 1945. May I point out to the committee, as the legal gentlemen here will know, this is a matter of capacity in a company. It is there. If the government, or anybody else, wants to invest in these shares, we have the capacity to issue them. Because we are capitalized

at \$25,000,000 does not mean they are going to be issued immediately. In our domestic air lines you gentlemen know we were authorized back in 1937 with a capital of \$5,000,000, but it was only last year, or the year before, that we got up to \$4,600,000.

Mr. REID: Who issues the shares?

Mr. SYMINGTON: The C.N.R.

Mr. REID: They own the \$25,000,000?

Mr. SYMINGTON: They only own \$4,600,000.

Mr. REID: Will they have the issue of these shares?

Mr. SYMINGTON: The provision here is that they will, unless they are taken over, unless a separation takes place and the government takes it over. While it is provided and the \$25,000,000 is there, we will only issue the amount that we think will be needed. If we do not need \$25,000,000 but only \$20,000,000, then only \$20,000,000 will be assued; if we do not need \$20,000,000 but only \$15,000,000, only \$15,000,000 will be issued. As I say, it is only a matter of capacity; the government will not put up any money before this stock is issued, and then they will put only what is required.

Mr. HAZEN: You do not expect any money to be put up this year?

Mr. SYMINGTON: None at all.

Mr. HAZEN: No issue this year?

Mr. SYMINGTON: I would not expect so, no.

Mr. HAZEN: How many do you expect to issue next year?

Mr. SYMINGTON: That depends on the results we get in the time of construction on the new planes. If they are completed next year we will need quite a lot, if they are not completed until January of 1947 we will not need so much. These planes come off the line one every month, two months or three months. In the expansion program on the domestic, as I told you the other day we contemplate 21 conversion planes. As near as we can figure out, these planes may cost us, let us say \$100,000, that is \$2,000,000. All our domestic planes I think undoubtedly will be ready next year. I was looking at our statement and our depreciation fund, and so on, pretty near takes care of that. We may need a little bit, but not so very much, because our reserves from depreciation are for the purpose of purchasing new equipment. When you embark upon four-engine equipment to run 10 planes to the old country, 10 planes to South America and 10 planes to the Orient—Australia; there are 30 planes which may cost us, let us say \$500,000 a piece. That is a lot of money. It would come up month by month as these planes are produced and put into operation. Naturally we order them and we have to pay for them. We do and come to the government and say, "Here, buy a million dollars' worth of stock to provide us with money to pay for these planes." That is the way the thing works out.

Mr. JACKMAN: May I ask what the mechanics are of actually getting cash for the T.C.A.?

Mr. SYMINGTON: The actual mechanics up to date have been these: the Trans-Canada Air Lines pass a resolution notifying the Canadian National Railway that they need more capital. The Canadian National directors then meet and pass a resolution subscribing for more shares in Trans-Canada and send them a cheque, and Trans-Canada sends the Canadian National the stock certificate. If it remains in the Canadian National, that will be the procedure. If separation takes place, the same procedure will be followed with the government.

Mr. REID: I am one of the new members of the committee, and I should like to ask if there is any interest paid on this stock?

Mr. SYMINGTON: 5 per cent.

Mr. REID: To the railway?

Mr. SYMINGTON: Yes.

Mr. JACKMAN: A dividend.

Mr. SYMINGTON: It is virtually a dividend. It is charged in as an operating expense so as to insure it as a first charge; but it is virtually a dividend, yes. That is all the shareholder can get under any consideration.

Mr. REID: That will help the C.N.R. finances, by holding the stock.

Mr. SYMINGTON: It depends on what the C.N.R. have to pay for their money.

Hon. Mr. HOWE: Maybe the rate is too high.

Mr. JACKMAN: This stock is limited to a 5 per cent dividend?

Mr. SYMINGTON: Yes.

Mr. JACKMAN: What happens to the surplus? You can keep it in T.C.A. no matter how large it is?

Mr. SYMINGTON: The surplus up to date has gone into reducing the mail rate, so that there is no further surplus.

Mr. HAZEN: Is this 5 per cent like a dividend? Does it come out of earnings? If you do not make anything, what happens?

Mr. SYMINGTON: It is a charge. It is put into the original scheme as an operating cost.

Mr. JACKMAN: As I understand this, the surplus of the C.N.R. goes back to the consolidated revenue fund.

Mr. SYMINGTON: That is right.

Mr. JACKMAN: But with the surplus of the T.C.A., you are allowed to keep it up to a certain point. There must be some provision in the Act for that. What is it?

Mr. SYMINGTON: No. There is no provision in the Act. T.C.A. originally needed to get something for a reserve against its growing operations, and half the profit that it made was put into the reserve.

Hon. Mr. HOWE: If T.C.A. does not need its extra money, it can buy back its stock, I suppose.

Mr. JACKMAN: What happens to the other half of the reserve?

Mr. SYMINGTON: It goes to reduce the rates to the post office.

Mr. JACKMAN: The mail contract?

Mr. SYMINGTON: Air mail.

Mr. GIBSON: I would not worry about too much profit.

Mr. JACKMAN: No. There is no use talking about a limit of 5 per cent. It does not mean anything. All these government things are so odd as compared with shall I say, legitimate business.

Mr. MUTCH: They are attempting to make it simple.

Mr. SYMINGTON: All the C.N.R. gets out of it is the 5 per cent on the money they invest.

Mr. JACKMAN: Once authorization is approved by the House. It is a bit different surely from applying for an ordinary charter for a company.

Mr. SYMINGTON: Not a bit, as far as I can see; because the charter is issued under legislation of the House authorizing it.

Mr. JACKMAN: Yes?

Mr. SYMINGTON: In a general way instead of a specific way.

Mr. JACKMAN: It is the people's money, however, and once the authorization is given to the T.C.A. here, the only people who have a check on it is the—

Mr. SYMINGTON: Is the government.

Mr. JACKMAN: Is the C.N.R. at the moment.

Mr. SYMINGTON: No, the government.

Mr. JACKMAN: You just said that in the mechanics—

Mr. SYMINGTON: Before any sum of money can be invested, the government has to approve of it by order in council. It is a question of parliament as opposed to the government. That is what it is. Parliament authorizes us to do it if the government wants to buy it.

Mr. JACKMAN: I asked you about the mechanics of getting the money and you said the T.C.A. passes a resolution showing its need which goes to the C.N.R. and the C.N.R. directors can do it if they wish to.

Mr. SYMINGTON: Oh, yes. But I should have perhaps gone further. The C.N.R. can make no capital investment except they go to parliament and in every estimate or budget that the C.N.R. has put before the Canadian parliament, you will see in the year's budget they bought stock; and in each year you will see \$4,600,000 invested in T.C.A. They can invest no capital moneys of the C.N.R. at all without the approval of parliament.

Mr. MUTCH: Carried.

The CHAIRMAN: Are there any other questions?

Mr. HARRIS: Just a minute. That consent of parliament, though, is fully obtained afterwards by a committee like this.

Mr. SYMINGTON: No. The C.N.R. presents its budget for 1946 now before you; if it is going to subscribe for stock of T.C.A., it is in its capital budget and you pass it in the House.

Hon. Mr. HOWE: Approved by parliament.

The CHAIRMAN: Are there any other questions on that section?

Mr. HAZEN: As I understand it, before you start your service to the United Kingdom, you have to get your planes?

Mr. SYMINGTON: Yes.

Mr. HAZEN: And you do not know when you are going to get them?

Mr. SYMINGTON: That is it.

Mr. HAZEN: In addition to that, you have to come to an agreement with the United Kingdom government, the British government, do you not?

Mr. SYMINGTON: Yes, about landing, commercial rights in their country.

Mr. HAZEN: And you do not know when this agreement is going to be reached?

Mr. SYMINGTON: Well, the minister stated yesterday it was to be made very shortly between the two governments.

The CHAIRMAN: Are you ready for section 2?

Mr. MUTCH: Section 2.

Mr. JACKMAN: I take it, Mr. Symington and Mr. Howe, that while parliament and this committee will have a chance to scrutinize any capital expenditures, any of the \$25,000,000 which may be authorized and desired to be spent at a future time; nevertheless, unless it is to be a pure formality in authorizing the \$25,000,000, I cannot help but feel—unless I am a little premature,—that we should know what the \$25,000,000 is for beyond the fact that "I want to build an air line to Great Britain and perhaps to South America." I think we should have a breakdown. Particularly am I fortified in that opinion, and it encourages my suspicious nature, when you said yourself, Mr. Symington, the other day, "I would not want to invest my own money in them", referring to these external lines.

Hon. Mr. HOWE: I can tell you there are some private corporations that are very anxious to invest their money in them.

Mr. JACKMAN: Yes. But if we had a private corporation asking for this money, we would have a breakdown of the expenditures and what they are to be for.

Hon. Mr. HOWE: If you pass a bill or if you sought the incorporation of a company and if its capitalization was \$25,000,000, you would not give us any breakdown, would you, if you were were asking for a million dollars? You want a breakdown and we could probably give it to you. It is simply a matter of the capitalization of a corporation.

Mr. JACKMAN: I realize the legal distinction. Yet I am not quite satisfied that we, as a committee, have fully discharged our duties when we say, "the T.C.A. asks for \$25,000,000,—it would make no difference whether it was \$25,000,000 or \$500,000,000,—it is merely authorization, merely fictional and it is not our duty to scrutinize what they want the money for." I have a rather different conception of my duty, although I am not too certain that I am right in taking that as acutely as I do.

Mr. MUTCH: At the moment they are not asking for any money at all, as I understand it. Am I right?

Mr. SYMINGTON: That is correct.

Mr. MUTCH: They are asking that they have permission at some future date to ask for money up to \$25,000,000. Is that not right?

Hon. Mr. HOWE: That is what it is.

Mr. MUTCH: Not being a lawyer, perhaps I understand it easily.

Mr. SYMINGTON: It is a peculiar situation. If a private company came up with a private bill, these clauses would never be questioned; but at public company comes and it is questioned. It may be all right. I do not know. It is a pure question of cabinet. What you are doing is saying, "This does not mean anything; but we are afraid the government, who have charge of it, will not in the future properly exercise their rights as to whether they are going to allow this company to spend money freely or not." If you do not give a company authorized capital you might as well say, "Go out of business now." There is nothing in it. Authorized capital means nothing.

Mr. JACKMAN: I may be somewhat cynical. I think perhaps you are right.

Mr. HAZEN: To what extent will the line that is to be set up, especially to the West Indies and South America, affect the earnings of the Canadian National Steamship Companies?

Mr. SYMINGTON: I do not know.

Mr. HAZEN: Has that been considered?

Mr. SYMINGTON: Well, no. That has not been considered.

Hon. Mr. HOWE: Having in mind that Canadian National steamships do not carry passengers, I do not think it will affect that very much. We will not carry freight.

Mr. HAZEN: The boats carried passengers before the war, and mail.

Mr. SYMINGTON: Naturally one important consideration, as I understood it,—certainly as we shall view it—is that as these boats were destroyed, and if new boats were to be built, if there is to be an airline, construction of these boats would naturally be different in the number of passengers they would carry compared to its insulated freight situation. If there are going to be airlines—and there will be; if we do not run them somebody else will—then of course you would have larger passenger accommodation in your West Indies trade agreement if that agreement is renewed. But I think you should view this

thing purely as an airline. An airline may want to run to South America. It may want to run to the West Indies. If it does want to run there and it is decided that it is a good thing to do that, in the judgment of the government, it has the means of getting the capital to do it, if the government is satisfied that it is a good thing to do.

Mr. HAZEN: These are government owned operations. Do we not have to look at it in this light, that we do not want each one cutting the others throat at the cost of the taxpayer?

Mr. SYMINGTON: Yes, probably you do.

Mr. HAZEN: That is something that has to be kept in mind.

Mr. SYMINGTON: That is quite true, but I would suggest to you that somebody is going to run an airline between Canada and the West Indies. If we do not run to the West Indies, the British West Indies Air Lines will run to Canada. They may both run. I do not know. But certainly you cannot throttle modern transportation by air, and you might as well stop trying to do it. You cannot do it. It is just impossible unless you are going to relegate yourself to being a second-class country. Things are progressing too fast, that is all.

Mr. PICARD: Do not the two services simply supplement one another? They are not especially competing. They are a different type of trade. Some people may want to go by air, and may prefer to go by air rather than by ship. I do not think there is so much competition; I think they are just supplementary services. Some fast freight will be shipped by air and slow freight will be shipped by boat.

Mr. SYMINGTON: If that argument is good, we ought not to have any air lines in Canada at all, because there is no use in blinding our eyes to the fact that they are going to interfere with the Canadian National. Isn't that true, Mr. Hazen?

Mr. HAZEN: I did not come in here to argue, but just to ask questions.

Mr. SYMINGTON: Of course; but it seems peculiar, in an authorization capital statute, which is a different thing to authorizing a subscription by the government to that stock.

Mr. GIBSON: If we have an airline we are going to have to give them some money to run it; there is no doubt about it. Maybe we should establish the broad principle of whether or not we do want airlines in Canada.

Mr. JACKMAN: But we have the word of an expert operator that he would not want to invest his own money in it. That should put us on guard as watch dogs of the treasury.

Mr. BEAUDOIN: A lot of people invest money in radio broadcasting, so long as it concerns Canada; but they won't invest their money in shortwave radio companies. In T.C.A., national operations will tend to develop in that way as well.

The CHAIRMAN: Is that enough on section 1? Do you wish to carry that section?

Mr. PICARD: Carried!

The CHAIRMAN: O.K. it is carried. Now, Mr. Howe, section 2.

Hon. Mr. HOWE: Subsection (1) of section 12 of the said act is repealed and the following substituted therefor: "12 (1) Subject to the provisions of this Act, the Canadian National Railway Company may issue notes, obligations, bonds and other securities (hereinafter in this section called "securities") not exceeding the sum of twenty-five million dollars for the purpose of acquiring the capital stock of the corporation, and the Governor in Council may authorize the guarantee of the principal and interest of such securities on behalf of His Majesty."

The only change in subsection (1) of section 12 is the power to issue securities to the amount of \$25,000,000 instead of to \$5,000,000.

Mr. MUTCH: Five per cent remains as it is?

Mr. HAZEN: Is it the intention to have the shares of Trans-Canada, or at least those that are going to be issued under this clause to the Canadian National Railways, transferred to the minister?

Hon. Mr. HOWE: That may happen later. They are not transferred under this Act.

Mr. HAZEN: But in view of the fact that in the very near future the railways have to be dissevered from the airways what is going to become of these shares held by the Canadian National Railways when that happens?

Hon. Mr. HOWE: I presume that the government will acquire them from the Canadian National Railways.

Mr. JACKMAN: Why do you not put a clause in this section 12 covering not only the Canadian National Railways but the agency which may operate the air lines, because the Canadian National Railways is to divest itself very shortly, I understand.

Hon. Mr. HOWE: That is so.

Mr. HAZEN: But there is a section in the Act?

Mr. SYMINGTON: Yes.

Mr. JACKMAN: But why must the clause read that only the Canadian National Railways may issue notes, obligations, bonds and other securities?

Hon. Mr. HOWE: The Canadian National Railways, as you know, is financed by government guaranteed securities. If the ceiling drops out of the picture, there will be no government guaranteed securities. That is all.

Mr. REID: Since the people of Canada put up the money, I have often wondered why—when the right was taken by the minister in section 11—it says that the book value of shares, when there is any disagreement, must be determined by a reference to the Exchequer Court of Canada? I always wondered why, when the government was doing all the business and putting up the money, there should be a reference to the Exchequer Court when there should be a disagreement?

Hon. Mr. HOWE: Just in order to have an umpire. That is all.

The CHAIRMAN: Could we stick to "2" for a moment to see if that is all clear? Are there any other questions on "2"? Very well then "2" is carried.

Mr. HAZEN: About "2", have you any idea when this transfer of those shares will take place from the Canadian National Railways to the minister?

Mr. SYMINGTON: It may or it may not take place. It is a matter of government policy.

Mr. HAZEN: But the Canadian National Railways is to be disconnected?

Hon. Mr. HOWE: The Aeronautics Act says that on and after a certain date surface transportation shall not be permitted to own an interest in airlines except with permission of the government. It is no more definite than that.

Mr. MUTCH: But the government could still use Canadian National Railways as their agents?

Hon. Mr. HOWE: No decision has been made.

The CHAIRMAN: Is that O.K., Mr. Hazen?

Mr. HAZEN: It is all that I can find out.

The CHAIRMAN: Well, what about section 3?

Hon. Mr. HOWE: Section 14 of the said Act is amended by adding thereto the following paragraph: "(e) to purchase, hold and, subject to the provisions of this Act, sell and dispose of shares in any company incorporated under section

twenty of this Act or in any company or corporation incorporated for the operation and maintenance of airlines or services of aircraft of any kind." (f) "to lend money to any corporation incorporated under section twenty of this Act on such security as the minister may determine."

Now, that is a new paragraph intended to fit conditions that we meet in operating abroad. As I said in the House, in Brazil there is a government provision which requires that forty per cent of the airlines operating in Brazil must be owned by Brazilian citizens. In that case it might be necessary to carry our operations in Brazil by forming a subsidiary corporation, half of which could be owned either by the Brazilian government or by Brazilian citizens. Then, of course, it is necessary in operating—at least it is desirable in operating outside of Canada—to operate by means of a separate corporation for the reason that accounts for international operations must be kept separately and filed with the international authorities and any subsidy paid must be indicated clearly. In other words, it is not contemplated that domestic airlines will be able to use their surplus in carrying out international operations. In other words, if we operate from Montreal to Prestwick in Scotland, that operation will be carried out under a subsidiary corporation and the accounts will be kept separate from the domestic organization.

Mr. JACKMAN: What other countries are there that you might likely land in, or where you might use facilities, where they have these peculiar laws? Mexico, for instance?

Hon. Mr. HOWE: No, Mexico has not, I believe. I do not know of any others, but I know of that situation.

Mr. SYMINGTON: Most of the South American countries have it.

It seemed to me in considering this bill that it was most important for two reasons, first that the results of the domestic operations should not be confused with the results of any international operation, and furthermore that the international operation should be separate in order to analyse the returns of the international organization and to see what subsidies are paid. American Air Lines, for instance, cannot make a big profit in the domestic airline and hide it in their international airline. The international airline accounts must be kept separate. We form a separate company for international airlines. Let us say it is Trans-Canada Atlantic Overseas or British Overseas, or anything you like. This clause gives Trans-Canada Air Lines the right to hold 100 per cent of the stock in that company. Let us assume that there is a route such as Vancouver to Australia which in all likelihood will be a progressive venture losing considerably at first, at least. It seemed in the commonwealth conference a silly thing for the commonwealth to run parallel competitive routes on what was plainly likely to be a losing venture. Therefore the suggestion was made that that route should be run by the three governments, T.C.A. and the Australian air lines, and so on, and we can hold stock in that company thus minimizing the loss, if it is considered a wise thing to do. The Act is perfectly flexible so that whatever company we have to enter into the stock is to be held in T.C.A. That is the principal thing. We can hold stock in companies of that kind if the government subsequently approves.

Mr. REID: In that event it would show whether the line to Australia was paying and apart from the Trans-Canada in Canada?

Mr. SYMINGTON: Exactly.

Mr. JACKMAN: We have to retain 51 per cent.

Mr. SYMINGTON: Yes.

Mr. JACKMAN: That does not leave very much for the commonwealth share.

Mr. SYMINGTON: Of course, in that case it probably would not be run by a company that was a joint holding company. What we would do, we would own all our own company and Australia would own all their own company and instead

of us operating four trips a week we would operate two and they would operate two right through and the receipts would be pooled. Whether the disbursements would be pooled is a matter still subject to some consideration. We think that perhaps we can operate a little better and we would sooner take care of our own expenses and let them take care of theirs, but in that case to avoid a parallel competitive operation between the commonwealth countries the receipts would be shared. All these things are under discussion. None of them have been settled, but a very wide range of conditions may arise depending upon where you are going to operate.

Mr. REID: If that arose would it be the intention to charge up repairs, planes, and the complete running operation?

Mr. SYMINGTON: There would be standard accounting for each of these companies.

Mr. REID: I think it would be splendid because it would show the picture and we would be able to see whether or not it would be worth while to continue the loss outside Canada at public expense.

Mr. JACKMAN: The minister set forth the difficulties in the Brazilian set-up where you have to have at least 40 per cent of the shares held by nationals.

Mr. SYMINGTON: Let me explain that because the minister did not explain it completely. We can run our international airline down there and own it all. There is no question about that. Every international line there has a local feeder line to furnish traffic to its international line. Pan-American Grace, the German company which has now become Pan-Air de Brazil, and so on, all have companies leading from the large places in Brazil to feed passengers to their international line. If you have such a line that line must be held at least 40 per cent by Brazilian money and you must use a certain number of Brazilian people on it. Whether or not we will ever go into it I do not know. We have had Brazilian people up here, including the government, talking this thing over. They recommend very strongly that these feeder lines are necessary to provide a paying international line. We said we were not particularly anxious to go into that business but we would look into it and study it, which we are doing. Every other international line does it, and if we are going to compete with them and have no feeders we may be out of luck. We may have to go into the feeder business. Whether or not we will is a matter of judgment when the time comes but this Act allows us to do it if it is considered the right thing to do.

Mr. REID: Suppose that 49 per cent of the stock is held by people in Mexico. Would that be guaranteed by the dominion government?

Mr. SYMINGTON: There is no guarantee in that company at all.

Hon. Mr. HOWE: Securities of T.C.A. are not guaranteed by the dominion government.

Mr. JACKMAN: You have power under this Act—I do not know whether it is this section or not—to meet deficits, have you not?

Mr. SYMINGTON: Under Mr. Reid's question, no. All this does is authorize T.C.A. to do certain things.

Mr. JACKMAN: Can T.C.A. not guarantee these securities?

Mr. SYMINGTON: No.

Mr. JACKMAN: There is no clause saying they cannot but there is no power to guarantee?

Mr. SYMINGTON: There is no power, no. This is really borrowing on securities, that is all, or purchasing shares in a company. There is nothing else there.

Mr. JACKMAN: The only danger I see in this foreign complication is if there should be any trouble arising over some small commercial line. After all some of these people in these countries are a bit temperamental. Suppose the

president was flying on our line, or suppose the man we thought was president was flying on our line, and fleeing this country. We might be considered to be one of the committers of the crime. A great many things might happen. If we had a private company operating down there it would simply be a commercial company but once you get the state of Canada having ownership of this line, and perhaps having some direction of it, you lay yourselves open to considerable difficulty.

Mr. SYMINGTON: You know, Mr. Jackman, that legal entity of the company is legal entity. As far as anybody is concerned T.C.A. is a legal entity. The government is not responsible for anything in T.C.A. T.C.A. as a company is responsible. There is no shareholder responsibility. Their share are paid for. You are picturing a case that cannot possibly happen, just simply cannot possibly happen. There are certain legal rules and laws which exist.

Mr. JACKMAN: If I may say so to the average man it is a fiction that T.C.A. owns the line and not the people of Canada.

Mr. SYMINGTON: It may be a fiction but it is a legal fiction which rules. When you say that a Brazilian man could say something to the Canadian government that because T.C.A. is a separate legal entity it is something in your country you are just stating what cannot possibly exist. It just cannot be. That is the reason we have companies.

Mr. JACKMAN: You remind me of the man in jail who telephoned his lawyer and the lawyer said, "You cannot be put in jail", and the man said, "I am in jail."

Mr. SYMINGTON: You cannot put a company in jail.

Mr. JACKMAN: I know, but you can cause international difficulties to arise.

Mr. SYMINGTON: I cannot see it.

Mr. JACKMAN: Well, you may see it.

Mr. REID: May I ask Mr. Symington this question? In view of his last statement would it be correct to assume that T.C.A., apart from the fact it is guaranteed by the dominion government, is in all respects a private company?

Mr. SYMINGTON: Quite so, except its profits go to the government.

Mr. REID: Because in the minds of many people they think it is owned and maintained by the state and it is not; it is a private entity.

Mr. SYMINGTON: The government does not run the company. It is just the same as though it were a private company, but it is financed by the dominion government and the dominion government gets the benefits or otherwise according to its success, but so far as running this company is concerned the company runs it, and nobody else.

Mr. HAZEN: Is it intended to acquire shares in companies solely operated within Canada under this section?

Mr. SYMINGTON: Oh, no.

Mr. HAZEN: It would not be the intention to acquire shares in the C.P.R. lines under this section?

Mr. SYMINGTON: Turn to section 20. It refers to companies formed under section 20. That is page 3.

20. The Governor in Council may, on the petition of the Corporation, declare that any number of persons named in the petition, not exceeding seven in number, shall be a body corporate, and upon such declaration being made the said persons shall be a body corporate and politic.

When they create that company which I instanced, Trans-Canada Overseas Limited, they form that company and then this section gives Trans-Canada Air lines the right to buy the shares in Trans-Canada Overseas Limited. That is a simple instance of what it is.

Mr. REID: In other words, you are making an investment in another company?

Mr. SYMINGTON: In a wholly owned other company.

Hon. Mr. HOWE: Let me tell you dogmatically this Act will not be used to acquire Canadian Pacific Air Lines. I am telling you that dogmatically.

Mr. HAZEN: Very well; now then, going back to section 14 (e), it says,

(e) To purchase, hold and, subject to the provisions of this Act, sell and dispose of shares in any company incorporated under section twenty of this Act or in any company or corporation incorporated for the operation and maintenance of airlines or services of aircraft of any kind.

To what class of company does that refer?

Mr. SYMINGTON: To those incorporated under section 20 of this Act.

Mr. HAZEN: Those are the investments contemplated?

Mr. SYMINGTON: Yes.

The CHAIRMAN: Any more questions on section 3?

Mr. JACKMAN: The minister has just raised a point. Supposing the post office give authority in future, declare certain lines to be mail routes and therefore subject to operation by the T.C.A., you would use this vehicle to provide funds for the purpose of taking over such companies?

Hon. Mr. HOWE: We will not acquire any domestic company in Canada under this Act. That is what I say.

Mr. JACKMAN: Are you stating that as a matter of T.C.A. policy, or as a matter of government policy?

Hon. Mr. HOWE: I state it as both. I am stating it to be government policy.

Mr. JACKMAN: I am asking you here as a matter of policy—

Mr. SYMINGTON: I think I can answer that. If we apply for a charter—to answer your question directly—to take over a company in Canada, and the government gives up that power under the new Act—

Mr. JACKMAN: Under the new Act?

Mr. SYMINGTON: Under the new Act, under 20; yes. We haven't got that company, and we say to them: now we want so much money to buy the shares of this particular company and we have the power to do that under 14 (e), give us the money—that is the way we would set up these companies.

Mr. MUTCH: Yes, you just purchase them and they are held subject to the provisions of the Act.

Mr. HARRIS: Where under this you are restricted in the incorporation of your companies to those incorporated under section 20? How would you, for example, be able to purchase other lines of which you have spoken?

Mr. SYMINGTON: The government would authorize us to incorporate a company for a purpose, and then we can buy the shares in it.

Mr. HARRIS: Then you will have a company incorporated under section 20 for the purpose of acquiring the shares in another operating company?

Mr. SYMINGTON: That is the way we would have to do it.

Mr. HAZEN: I am still a bit puzzled about this section 20 of the bill.

Mr. SYMINGTON: Yes?

Mr. HAZEN: "20. The Governor in Council may on the petition of the corporation declare that any number of persons named in the petition, not exceeding seven in number, shall be a body corporate and upon such declaration being made the said persons shall be a body corporate and politic."

Mr. SYMINGTON: The corporation referred to there is Trans-Canada.

Mr. HAZEN: There is nothing to prevent Trans-Canada under that section from incorporating any company to operate in Canada?

Mr. SYMINGTON: No.

Mr. HAZEN: It is not restricted or limited.

Mr. SYMINGTON: No, other than the present Trans-Canada Act, which of course provides how the Trans-Canada can operate in Canada. We have all operating rights in Canada we could possibly want under the present Act. We can go any place we like if the Governor in Council passes an order in council on the recommendation of two of the ministers and says you are to operate here. Why a new company? We certainly would not want a new company when we have all the powers under the present Act.

Hon. Mr. HOWE: I have said over and over again that the government does not intend to buy Canadian Pacific Air Lines. Why not accept that and go on to something else?

Mr. HAZEN: I am not questioning that. What I am trying to get at is the exact wording of the Act. It is the wording of the Act which signifies its intention, and that is what I had in mind. And now, about this section 20: you say that you do not have to have a new Act because you have the Trans-Canada Air Lines Act; but you could, under section 20, run a line from Winnipeg up to the north pole.

Mr. SYMINGTON: Of course, that is an external line; but if the government wanted, through the governor in council, to permit us to incorporate a company for some purpose they could do it under this Act. Of course, they could do it. Why should they not? They are the government of the country.

Mr. MUTCH: But you can fly anywhere in Canada under this present Act.

The CHAIRMAN: Is that clear, Mr. Hazen? If it is, shall section 3 carry, gentlemen?

Section 3 agreed to.

The CHAIRMAN: Now we come to section 4.

Hon. Mr. HOWE: "4. Section fourteen of the said Act is further amended by adding thereto the following subsection:—

'(2) The Corporation shall not sell or dispose of more than forty-nine per centum of the outstanding shares of any company incorporated under section twenty of this Act except with the approval of Parliament.'

That is in line with Trans-Canada Air Lines Act itself which provides that the company cannot sell more than 49 per cent of its shares; that is, the Canadian National Railways cannot sell more than 49 per cent of Trans-Canada shares.

Mr. JACKMAN: Well, of course, it adds greatly to the power of the T.C.A. I do not know whether it has too much power or not. You might have a company which you might own 100 per cent which does not seem sufficient for your operation, and you have the right here to dispose of up to 49 per cent or whatever figure meets your judgment. In view of the care which parliament has taken in regard to authorizing every cent of capital expenditure for years and years on the Canadian National Railways, and the T.C.A. too, under this Act it gives the T.C.A. very great power. It may be too much. I only want to bring it before the other members of the committee and see how it strikes them.

Mr. SYMINGTON: The amendment is merely carrying further the principles of the Act. There is no change in the principle of this Act as compared to the other one.

Hon. Mr. HOWE: It is the same principle.

Mr. SYMINGTON: It applies to these other companies as much as it applies to T.C.A.

Mr. REID: That would take care of all companies.

Mr. SYMINGTON: It puts them in the same position as the T.C.A. itself.

The CHAIRMAN: Any more questions of section 4?

Section 4 agreed to.

The CHAIRMAN: Section 6:

Hon. Mr. HOWE:

5. Section fourteen A of the said Act, as enacted by section one of chapter fifteen of the statutes of 1938, is repealed.

That referred to an agreement made in 1935 which provided that Canada would be a shareholder in a company which was to be jointly owned by Imperial Airways, Ireland and Canada. The company never was operative and by agreement and by consent that agreement has been renounced so it is no longer in existence. It is simply to remove an obsolete chapter from the Act.

Section 5 agreed to.

The CHAIRMAN: Section 6:

6. The first line of subsection two of section fifteen of the said Act is repealed and the following substituted therefor:—

(2) The Trans-Canada contract shall contain such terms as the governor in Council may order, and in the absence of such order shall provide,—

That is put there in place of, "The Trans-Canada contract shall provide". The Trans-Canada contract is a contract between the government of Canada and the Trans-Canada Air Lines Company.

Mr. JACKMAN: Do you have an existing contract now?

Hon. Mr. HOWE: There is a contract, yes.

Mr. JACKMAN: What is the object of that contract? What are the terms of it?

Hon. Mr. HOWE: It provides for carrying the mail.

Mr. JACKMAN: Is this the post office contract?

Mr. SYMINGTON: No. This does provide for the post office contract but it is not the post office contract.

Hon. Mr. HOWE: It provides they shall operate certain lines.

Mr. JACKMAN: What does it provide?

Hon. Mr. HOWE: It provides as follows:—

15. (2) The Trans-Canada contract shall provide,—
- (a) for the operation of the aforesaid lines of aircraft between points and over routes to be designated from time to time while the contract is in force by the Governor in Council;
 - (b) for a schedule of services to be maintained by the Corporation, and that such schedule may from time to time while the contract is in force be amended by the Governor in Council on the joint recommendation of the Minister and the Postmaster General;
 - (c) for the payment to the Corporation, at the end of each calendar year of the initial period, of a subsidy equal to the deficit, if any, resulting from operations during such calendar year, which subsidy shall be payable out of moneys to be appropriated by Parliament for that purpose;
 - (d) for the transport of passengers and goods by the Corporation at tariff charges on a competitive basis with other similar transportation services in North America;

- (e) for the furnishing by the Corporation of all adequate, modern aviation equipment, two-way telephone service, hangars and other buildings and, except as hereinafter otherwise provided, all other equipment, services and materials necessary for the operation of an efficient service by means of the aforesaid Trans-Canada Lines sufficient to take care of all mail, passengers, express and other traffic offered to the Corporation for transport;
- (f) for the operation and maintenance by the Government of Canada, without charge to the Corporation, of emergency landing fields, lights and radio beams, necessary for the operation of the said Trans-Canada Lines and for the supply to the Corporation free of charge of weather reports: Provided, however, that when the revenues of the Corporation, in the opinion of the Minister, will permit, charges may be imposed for landing, lighting and weather reports such as are charged for other similar competing coast to coast services in North America;
- (g) for the term of the contract; Provided, however, that the same shall not be less than ten years.

(3) The Trans-Canada contract shall not be assignable except with the approval of the Governor in Council.

Mr. JACKMAN: Why was this necessary?

Mr. SYMINGTON: May I explain that? Would you look at it closely. Here you have a statutory contract for 10 years—"the Trans-Canada contract shall provide." This is simply an amendment that the Trans-Canada contract shall contain such terms as the Governor in Council shall order and in the absence of such order it shall be exactly as it is now. For instance, under this proposal, we do not feel that the postmaster general under (b) for instance, should have to consent to our services and times. It is a statutory contract for 10 years, and it runs out at the beginning of 1947 anyway. This simply gives the Governor in Council the right to vary this. If they do not vary it, it still exists; that is all. But it makes it elastic. That statutory contract is inelastic for as rapidly changing a thing as the air service; and it has become inelastic in our case because, as in one instance I gave you, we cannot put on more frequencies unless the postmaster general says so, even though the whole government wanted it. We cannot change our times of frequency or anything else. We say that the time is past for that sort of restriction on an airline where you had to serve, as this was originally and properly serving, essentially as a mail line first and foremost. It has now become a public service in which the public are demanding service for passengers and it should not be any longer primarily a purely mail service. Therefore you have to have the right of the Governor in Council to amend that statutory contract.

Mr. REID: May I ask, Mr. Symington, if the present contract is one drawn up between your company and the Governor in Council or between your company and parliament?

Mr. SYMINGTON: Yes.

Mr. REID: Which is it?

Mr. SYMINGTON: It is a contract drawn up between—

Hon. Mr. HOWE: Between the company and His Majesty the King.

Mr. SYMINGTON: —the company and His Majesty the King, acting through the Governor in Council.

Mr. REID: On the authority of parliament?

Mr. SYMINGTON: On the authority of parliament. In other words there was a straight statutory contract, which is inelastic—it still exists—in which the Governor in Council is given the right to vary it in whatever way seems desirable to the Governor in Council.

Mr. REID: If they enter into a contract, who gives the Governor in Council the terms of the contract? Is it parliament? Do they deliberate on the terms of the contract?

Mr. SYMINGTON: These are the terms here in the statutes. The contract could not be varied. The Governor in Council cannot vary a statutory contract.

Mr. HAZEN: Is it intended that this contract be applied only to transportation across Canada?

Mr. SYMINGTON: Yes.

Mr. HAZEN: It is confined to Canada?

Mr. SYMINGTON: Yes, quite so.

Mr. JACKMAN: Would ordinary airlines need to have an agreement?

Mr. SYMINGTON: The reason is that it is a control exercised by the government who owns the line.

The CHAIRMAN: Carried. Now, it is 6 o'clock. Would it be agreeable to meet tomorrow morning at 11 o'clock?

Mr. MUTCH: Well, there are three committees meeting tomorrow that some of us are on. Shouldn't we try to get through tonight?

Hon. Mr. HOWE: We could finish this tomorrow, couldn't we??

The CHAIRMAN: Will it be 4 o'clock or 11 o'clock tomorrow—11 o'clock, gentlemen, I guess. That is the majority.

Mr. MUTCH: If you meet at 11 o'clock there are some who cannot be here. You cannot be in three committees at once.

Mr. HAZEN: Veterans Affairs are on in the morning and there are other committees.

Mr. NICHOLSON: We have held Mr. Symington here for a long time and I think we should finish up.

The CHAIRMAN: What about tonight?

Mr. SYMINGTON: There is only one page to it.

Mr. HAZEN: Why not do it now?

The CHAIRMAN: Carry on then. Let us go. It won't be long, so let us speed it up. The mail contract will take some discussion.

Hon. Mr. HOWE: Let us adjourn then until 4 o'clock tomorrow.

The CHAIRMAN: All right then, 4 o'clock it is.

The committee adjourned at 6.10 p.m. to meet again tomorrow, November 1, at 4 p.m.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

November 1, 1945.

The Standing Committee on Railways and Shipping met this day at 4 o'clock p.m. The Chairman, Mr. S. M. Clark, presided.

The CHAIRMAN: Well, gentlemen, when we left off last night we had carried section 6, I believe. Mr. Howe, would you start with section 7?

Hon. Mr. HOWE: Section 7 reads:

7. Section fifteen of the said Act, as amended by section two of chapter fifteen of the statutes of 1938, and by the last preceding section of this Act, is further amended by adding thereto the following subsection:—

- (4) The governor in council may from time to time authorize the minister to enter into a contract amending the Trans-Canada contract and containing such terms as the governor in council may order.

Mr. JACKMAN: That differs from the present Act, does it, in the sense that under the present setup the contract is statutory and this is a request to make the contract simply one between the T.C.A. and the governor in council, through the minister? It makes it more flexible?

Hon. Mr. HOWE: Yes.

Mr. JACKMAN: It also removes from the jurisdiction of parliament any consideration of the terms of the Act and transfers it to the governor in council under order in council; is that the effect?

Hon. Mr. HOWE: The chief effect is in connection with the mail rates. Under the present contract the mail rate is inflexible. It is settled automatically, not by any judgment. This gives the governor in council the right to bargain with the post office on mail, different rates for different services.

Mr. JACKMAN: Section 7 and 9 explicitly mention the mail contract. This section 7 has a relation I think to that general Trans-Canada contract which the minister read yesterday.

Hon. Mr. HOWE: Yes. That is the contract which fixes the mail rate.

Mr. JACKMAN: It establishes rates?

Mr. SYMINGTON: I think I could answer that, Mr. Howe. You have already by section 6 provided that they have the right to amend, but if they do not this applies. Now, the next clause gives them the right to amend; that is, until a new agreement is made it specifically provides that this one goes. If changes are made, in this contract as amended, a new one will not be needed at all. They already have the right to provide a new one. And now, it may be considered desirable to adjust the present contract; therefore, this clause says apart from providing a new contract they have the right to amend. That is what it is there for.

Mr. HARRIS (*Grey-Bruce*): We are referring to mail contracts?

Mr. SYMINGTON: No, the contract between the government and Trans-Canada.

Mr. JACKMAN: As I understand it, Mr. Symington, that contract seems rather unusual to me; I suppose it is customary in these government matters. Section

15 of the 1937 Act has to do with the terms of operating, routes, schedules, services, subsidies, tariffs, equipment, landing fields and the departmental contract which was for not less than 10 years. These are all matters really apart from the post office contract.

Mr. SYMINGTON: It is not the post office. That is the reason why I explained to the minister, we are not dealing specifically with the post office contract at all. May I repeat—

Mr. JACKMAN: You and I are in agreement on it then.

Mr. SYMINGTON: I do not know whether we are or not. I do not know whether you understand me or whether I understand you. You have already approved an amendment to the previous section which says that the governor in council may order, etc.; in other words, may enter into a contract containing such terms as they desire. If they do not, these terms apply. All right, they can change this contract or replace it by a new contract. And now, this clause simply says it may be wise not to adopt an entirely new contract but amend this present statutory contract, and so it says the government "may from time to time authorize the minister to enter into a contract amending the Trans-Canada contract and containing such terms as the governor in council may order".

Mr. JACKMAN: The effect of this section and the previous section, which you say was passed yesterday, is to transfer the jurisdiction in regard to the contract between the T.C.A. and the government from the hands of parliament to order-in-council.

Mr. SYMINGTON: Yes, that was decided and discussed yesterday, as you know.

Mr. REID: Why does it state, "the governor in council may order"—this one says, "order-in-council"—"may from time to time authorize the minister to enter into a contract." What is the distinction there? One is simply an order-in-council and this one says, may authorize the minister?

Mr. SYMINGTON: I imagine it is justice department drafting.

Hon. Mr. HOWE: The governor in council does not sign contracts; the minister signs contracts as the representative of the crown. The minister must get the authority of the governor in council, you see. There is no contract prepared with the governor in council as one party and somebody else as another party, you see.

Mr. MAYBANK: It is the minister himself.

Hon. Mr. HOWE: The minister does that.

Mr. MAYBANK: And there is no other contract than the one which has been mentioned, to which the minister has just referred?

Mr. SYMINGTON: That is correct.

Hon. Mr. HOWE: The Trans-Canada contract.

Mr. MAYBANK: There is only one contract which can be altered?

Hon. Mr. HOWE: That is right.

The CHAIRMAN: Is that O.K. then, gentlemen?

Section 7 agreed to.

The CHAIRMAN: Now, section 8:

Hon. Mr. HOWE: Section 8 reads:—

"8. Subsection two of section sixteen of the said Act is repealed and the following substituted therefor:—

(2) A contract made under subsection one of this section shall contain such terms as the governor in council may order.

And the departmental explanation is as follows:

8. The repealed subsection reads:—

12. "(2) Such contract shall provide for the transport of mails at a rate or rates to be fixed, in respect of the initial period of operation, by the terms of the contract, and thereafter, as hereinafter provided by this Act."

As I say, that is the explanation I gave before, and would apply to that paragraph. It gives the right to council to amend the mail contract.

Mr. REID: Would this change mean—I am just stating a hypothetical case now—that some time in the future it may be found that more revenue would be required from mail on the T.C.A. operation because of losses that might occur on passenger traffic; would that mean that a direct order might be given? I have not it in mind that such an order would be given; I am just looking ahead to the future and the possibility that the time might come when the operation with respect to passengers might be at a loss. I am just asking now, could it mean that the government could come along and say, you better charge more for the carrying of air mail because we cannot operate unless we have more revenue; we cannot get it from passengers; if we increase our passenger tariff we lose business, but we can get more revenue by increasing the rate for carrying mail. Is there any possibility of such a thing as that happening? You know, when you raise the rate on passengers, unless they are very wealthy people, they can find other ways of travelling; but when it comes to air mail, air mail has become established. As a matter of fact, I am looking to a time when most of our ordinary mail will travel by plane and will not be called air mail at all; it will be just a part of the ordinary routine of the post office. I am just wondering if by this clause something of that kind might happen; and if it could, I think it is up to this committee to do something about it.

Mr. SYMINGTON: I can tell you what that change means. If you will read this, "the governor in council may authorize the postmaster general to enter into a contract with the corporation for the transport of mails"—that means Trans-Canada Air Lines—then, you have the one being dealt with which says, such contract shall provide for the transport of mail at a rate or rates to be fixed in respect of the initial period of operation—and that rate was fixed originally at 60c.—by the terms of the contract, and thereafter as hereinafter provided by this Act. That is, it goes up or down, depending whether there is a deficit or a surplus. This says that the governor in council will authorize the postmaster general to enter into a contract with us; but instead of it being limited, as it is now, it shall be in such general terms as the governor in council may direct. That is the difference. In other words, I would expect that we would get rid of the present system of counterbalancing the mail rate by profits or losses. The procedure is that Trans-Canada Air Lines negotiates with the postmaster general in the making of a contract, if we can agree. If we do not agree the governor in council sets it. That is the situation.

Mr. MAYBANK: You negotiated the contract to start with on the basis of 60c. and it has been changed from year to year until you have the present result.

Mr. SYMINGTON: That has the effect of reducing it.

Mr. MAYBANK: And it changes the best procedure which fixes the limits for the contract, to continue over a number of years; and that has been found unsatisfactory.

Mr. SYMINGTON: Correct.

Mr. MAYBANK: It has been found unsatisfactory to have ourselves tied to that kind of a contract. The same people are involved as we were dealing with

then; two departments of the government, and if we left it to run the way it is various changes would be nullified because we would be tied up to a system which we have decided was antiquated; and so it leaves the contracting parties, both departments of government, more freedom in setting down their agreed upon ideas.

Mr. REID: Where is the alternative?

Mr. SYMINGTON: That is correct.

Hon. Mr. HOWE: I can give you a case in point, if you like. We have great pressure from the Maritime provinces for their service. The Trans-Canada Air Line people worked their equipment so that they could give a fourth service between Halifax and Montreal. The post office said, we do not need four services, three are ample. Trans-Canada were quite willing to run the fourth service without carrying mail.

Mr. SYMINGTON: Anxious.

Hon. Mr. HOWE: Yes, anxious, to run the fourth service without carrying mail; but under the present Act they cannot do it because of the agreement now existing between the Department of Transport and the Postmaster-General which means that they would have the approval of the Post Office Department before they could run that fourth service. There is no reason why the travelling public should be deprived of that service particularly when Trans-Canada are able to give it; it also meets with the approval of the department. Nevertheless, the Act as it stands made it impossible for us to do that.

Mr. MAYBANK: The post office had to pay on the air miles flown, do they not?

Mr. SYMINGTON: Quite so.

Hon. Mr. HOWE: They had to agree to the service going on.

Mr. MAYBANK: But if your contract with the post office is fixed so that each time you run the mail they have to pay you, they naturally are going to determine whether the community gets the air service or whether it does not.

Hon. Mr. HOWE: They look at it entirely from the mail point of view. They are interested in the carrying of mail, and not so much in the convenience to the travelling public; in respect to that they say, that is not our business while mail is.

Mr. McCLURE: What would be the effect of this on Maritime Central Airways' air mail contract with the postmaster general at the present time for carrying mail from Moncton to Charlottetown, Summerside and Magdalen Islands?

Hon. Mr. HOWE: It does not affect them at all, because this applies to Trans-Canada Air Lines only. The effect of this would be to put the Trans-Canada Air Lines in the same position to the post office as the Maritime Central stands. The Maritime Central can deal directly with the post office on the mail rate, and determine conditions, whereas we were bound by statute to a certain procedure. This bill does not affect the Maritime Central Airways, or any other airway, in any way; it deals only with the Trans-Canada Air Line.

Mr. McCLURE: It would not affect the Maritime Central Airways in a proposed route which they have under consideration at the present time?

Hon. Mr. HOWE: Not at all.

Mr. REID: That contract, Mr. Symington, has not been considered a loss as far as carrying mail is concerned?

Mr. SYMINGTON: I think I told you in our perusal of the report that I thought it was an admirable contract for both sides so long as we were in the young, growing stage, but when the passenger interest increased and the public demanded a larger service, the situation changes and the original protection we

required decreased. It is rapidly approaching an impossible situation; one which the post office does not want, and one which we do not want; because we cannot operate a line when the post office says, no, you cannot run it. As I say, it was an excellent contract originally, I think, for both sides, but the time has come to make a change. You see, to-day we have 6 transcontinental frequencies required to meet the needs of the travelling public. The post office says that two is all we need; you will ruin us under this contract if you run them. The net result of it is that to-day we find ourselves stymied, you see; it is not working out successfully.

Hon. Mr. HOWE: You see, the air mail letter carries a 7c stamp. Out of that 1c is tax, 3c is the ordinary first class rail rate for which the post office would be glad to pick up the letter and move it by rail and deliver it; then another 3c is for the transportation by air. And now, we are working on that last 3c. I think the post office will be quite willing to see us get 3c. As a matter of fact, we get less than 3c to-day. We do not want more than that. We are quite satisfied with the 3 cents as a maximum that we require to operate this line. But under this contract it becomes complicated because so many lines become passenger lines in which the post office has no interest. In other words, with freedom to act, it will not cost the post office any more than it does now and it gives us a chance to serve the public and look after the affairs of the line.

Some Hon. MEMBERS: Carried.

The CHAIRMAN: Is that clear?

Mr. JACKMAN: Are we going into the post office contract afterwards or are we dealing with all the matters relevant to the post office contract now?

Hon. Mr. HOWE: We might as well discuss that afterwards if you care to. Perhaps we might discuss the contract.

Mr. JACKMAN: Probably there is not very much to discuss. Are we going to have some one from the post office come here? Is Mr. Herring here?

Hon. Mr. HOWE: Mr. Herring is not here presently.

Mr. JACKMAN: Perhaps I could put this question. I want to be clear in my own mind. There is no doubt that no air service could have been started on a commercial basis if there had not been a mail contract, whether with T.C.A. or elsewhere. I think we will concede that point. In the early days the post office did more or less mother the T.C.A., with a contract which gave T.C.A. a pretty fair rate. Not only did it have that sliding scale up and down depending on the profits, but the T.C.A. Act, clause 3, section 17, said the rate paid by the post office to T.C.A. shall not be lower than rates payable for other similar coast-to-coast transport of mails in North America. I deduce from that—

Hon. Mr. HOWE: I do not think that clause was ever in. It referred to passengers and express. Did it also refer to mail?

Mr. JACKMAN: Yes, I think so.

Hon. Mr. HOWE: Are you sure?

Mr. JACKMAN: I will check that.

Some Hon. MEMBERS: No.

Mr. JACKMAN: No. It does not refer to mail.

Hon. Mr. HOWE: No; just passengers and express, I think.

Mr. MUTCH: Carried.

Mr. JACKMAN: In any case, the mail contract was very necessary and rather paternal towards the T.C.A. in the early days. All I want to do is to be assured by the post office officials that they are quite willing that this contract, which undoubtedly has very unusual terms, should be abrogated at the present time

and a new contract made, probably at arms length; or on the other hand to be told whether or not the post office feels, because of what it has done for the T.C.A., that it should have a continuance of the present terms,—perhaps not all the terms, but that they should now get some of the gravy, as it were, of the good rate in order to bolster up their revenue.

Mr. SYMINGTON: They have had all the gravy. We have had none. That is the trouble.

Hon. Mr. HOWE: They are getting the gravy. I may say that the Postmaster General joined with me in recommending this bill to the Governor General in Council.

Mr. MAYBANK: Does not that suggestion come to this; we would like to have the post office here to find out whether or not there is any disagreement between the departments and fish around.

Mr. SYMINGTON: All I can say is this. Mr. Herring is not here. I have had several discussions,—in fact, many discussions,—because of the difficulties we were in, and the suggestion to me by the post office was, "Get rid of this contract. We do not want it. We do not want to run your frequencies. Neither do we want to pay on a plane-mile basis."

Mr. JACKMAN: They wanted to pay on what basis?

Mr. SYMINGTON: They wanted to pay on a ton-mile basis.

Mr. MAYBANK: That would have put you in the same position as they are in with the C.P.R.?

Mr. SYMINGTON: No. The others are all on a plane mile basis.

Mr. MAYBANK: Are they all on that?

Mr. SYMINGTON: Yes. They are on a plane-mile basis. I think I am correct.

Mr. MAYBANK: I thought they had some poundage rates with the private companies.

Mr. SYMINGTON: They give them the rate in the territories where there is no other access such as railways, whether it is air mail or not. They carry everything at the same rate.

Mr. MAYBANK: Oh, yes.

Mr. REID: If there is any contract entered into the future between the post-office department and the T.C.A. I suppose there will have to be an agreement entered into between the feeder companies also. Would that operation mean that the feeder companies would be in agreement with you in the carrying of the mail? I visualize your carrying mail to Vancouver and the mail coming to some interior point by means of some feeder planes or feeder lines. I suppose the agreement with the feeder lines for carrying the mail would be between the feeder companies and the T.C.A.?

Mr. SYMINGTON: No. Between the feeder lines and the post-office.

Mr. REID: It would?

Mr. SYMINGTON: Yes. This has nothing to do with that. But that is the way that is handled.

Mr. REID: I am just asking for information.

Mr. SYMINGTON: If anybody wants any assurance about the attitude of the post office on this, they have advocated it much more than I have.

Mr. JACKMAN: I can see many of the terms are not suitable to either party.

Mr. SYMINGTON: I can further say that I found them very tough bargainers, very tough. The only thing is we cannot agree, which I think we will when council settles the difference between the two departments of government.

Mr. JACKMAN: I have great confidence in Mr. Howe's bargaining power.

Hon. Mr. HOWE: I can tell you this about his bargaining power. The post office are making more money out of Trans-Canada than Trans-Canada is, as far as carrying the mail is concerned.

Mr. SYMINGTON: I rather want to question your use of the word "paternal," Mr. Jackman. May I say to you that I have taken the time to study the beginning of the air lines in the United States compared to Canada; and if you think that our contract was paternal, you just ought to look at theirs. We never got one-tenth of what they started off with in mail rates. So ours was never paternal. Do not make any mistake about that. It was a tough contract. The only advantage to us was that we could not lose. We could not win but we could not lose. It happens that if it had not been entered into, we would have won more. But it was not paternal. Do not make any mistake about that.

Mr. HARRIS: I was just going to say that I would expect you to do better than the United States. I would disagree with that. We can do a better job under the circumstances than they can.

The CHAIRMAN: Are there any other questions about that before we go on? Is that O.K.?

Some Hon. MEMBERS: Yes.

(Section agreed to.)

The CHAIRMAN: Let us go on to section 9, then.

Hon. Mr. HOWE: It reads as follows:—

Section 16 of the said Act is further amended by adding thereto the following subsection:

- (4) The Governor in Council may from time to time authorize the Postmaster General to enter into a contract made under subsection one of this section and containing such terms as the Governor in Council may order.

This simply authorizes the Postmaster General to make a contract.

Mr. JACKMAN: Why can you not make a contract having in it principles which will be of suitable application for five or ten years ahead and have parliament authorize it?

Mr. SYMINGTON: We have that principle right as it is in the contract. I know that principle is one we had. The only possible principle can be: are you going to take facts and effects or are you going to bargain at arm's length? They now decide they want to bargain at arm's length. That is the only principle I can see.

Hon. Mr. HOWE: There is only one other country that has a principle and it was not a bad principle either. In Australia they have a similar 3 cents surtax for air mail, and that 3 cents is paid to the government for supporting air mail operations. If we could have that here, we should be quite happy.

Mr. JACKMAN: There is 3 cents surtax paid in Australia, and that goes to the government?

Mr. SYMINGTON: It goes to the air department.

Hon. Mr. HOWE: For the development of air mail.

Mr. JACKMAN: And the rest of the money goes where?

Mr. SYMINGTON: To the post office.

Hon. Mr. HOWE: Yes; to the post office.

Some Hon. MEMBERS: Carried.

Mr. REID: I may not have the amendments of the Act. Is subsection one still left in the Act?

Mr. SYMINGTON: Yes. It reads:—

The Governor in Council may authorize the postmaster general to enter into a contract with the corporation for the transport of mails by means of the Trans-Canada Lines.

This amendment says:—

The Governor in Council may from time to time authorize the Postmaster General to enter into a contract amending a contract made under subsection one of this section and containing such terms as the Governor in Council may order.

Mr. JACKMAN: But once you arrive at an agreement as to the per ton mile rate for mail, why cannot you just set the contract and have parliament validate it in the statute and just let it lie there? Surely that would be fair, for the next five or ten years?

Hon. Mr. HOWE: I think it might be unfair to the post office and might be unfair to Trans-Canada Air Lines. If we had made a contract four years ago with the post office, Trans-Canada would have been rolling in money today.

Mr. JACKMAN: Is that not what you are seeking?

Hon. Mr. HOWE: No.

Mr. SYMINGTON: I would suggest that we have now grown up, that the post office department are quite capable of bargaining and I hope we are, and if we are too tough with each other the Governor in Council or the government can settle it as between two government departments. Whatever money this line makes goes to the government, whether it be post office or whether it be consolidated revenue. Surely we should not be hampered in our running this line as a proper operating line by disputes between departments of government. The government themselves should settle it. There is no necessity for paternalism here. Surely we have the right, just the same as any private company has the right, to go and bargain with the post office. If we cannot make a deal, the Governor in Council settles it. The results go to the government in any event. What is wrong about that?

Mr. JACKMAN: This one difficulty arises, Mr. Symington. In a sense it all goes into the same pot; and yet the people of Canada are very interested to know whether or not the post office operates by paying all its costs and also the T.C.A. We have difficulty with the post office now because they carry all the mail from here free of charge and do other services for which they get no payment. It is very difficult to know just what is the real financial situation of the post office on operating account at the end of the year, and it is for that reason that we should like to keep these matters in a water-tight compartment if we can. You say it all boils down to the same thing in a sense because it comes down to the taxpayer, is taken out of the taxpayer; but it does not allow us to appraise the operating efficiency or "worth-whileness" of either department if you mix up the accounts.

Mr. SYMINGTON: I just suggest to you that is none of T.C.A.'s business. What I am saying is that, if you expect the operation of a line on business methods, we ought to be able to operate it on business methods, and we ought not to be held up by disputes between two government departments. If there is a dispute between two government departments it should be settled by the government that rules those departments. Mr. Herring has arrived here. Ask him if he is prepared to have the post office to bargain with me, and if we cannot agree it goes to the government, or whether he wants the present contract to stick. He has just come in. Just ask him. Certainly they have told me they want this, and there it is. I do not see why, because we happen to be operating an air line, we should be held up by disputes between two government departments.

Mr. JACKMAN: It was in the old Act and now you are asking for a change.

Mr. SYMINGTON: It was in the Act before because we were starting a new service and it was felt wise by the government to provide for this new service so that whatever happened it would not go bust. It did not go bust. Now we have grown. The post office department say, "You now have a service for the public, earning money for your company. You want to put in a lot of frequencies that are not any good to us as the post office. Therefore the present contract is no good to us." And I agree with them. That is the situation.

Some Hon. MEMBERS: Carried.

Mr. JACKMAN: Mr. Symington has just suggested, Mr. Herring, that we ask you in regard to the attitude of the post office department in connection with the old contract and its revocation and the substitution of a new contract. I understand there are certain terms in the old contract as to frequency of flight which are no longer suitable for the post office and which would perhaps involve you in additional expense despite the fact that you have a revision at the end of the year or for the next year. What is the attitude of the post office in regard to the proposed change? I suggested a little while earlier that it was felt by some that the post office had taken a very fatherly attitude towards T.C.A., guaranteeing them against loss. According to Mr. Symington, "paternal" is the wrong word and it should be "a very harsh partner."

Mr. SYMINGTON: I did not say that at all. I said I objected to your use of the word "paternal." I did not say anything about the post office at all.

Hon. Mr. HOWE: Why not ask your question without putting ideas into the gentleman's head? You have asked your question. What about the answer?

Mr. JACKMAN: Unfortunately the man was not here in order to get the prelude to it.

Mr. HERRING: As far as mail carrying is concerned, there is a saturation point. I can best illustrate that by transcontinental movements. Let us say that there are two, or three or four trips a day. Those trips a day can be so divided as to give to us every possible benefit that there is. A fifth trip would be like the fifth wheel to a coach. When you insist on linking up passenger service with mail service, there may be all the justification in the world from a passenger standpoint to put on an extra trip, but we would get nothing out of it; and under the terms of the present contract we would have to pay on a mileage basis. That is the point.

Mr. HAZEN: You would what?

Mr. HERRING: We would have to pay on a mileage basis under the present contract.

Mr. SYMINGTON: The question is, do you want the contract changed?

Mr. HERRING: Very much so.

Mr. REID: There is just one more question. Does section 17, subsection 2, still remain where it says, "If in the preceding year the corporation"—

Mr. SYMINGTON: That goes out.

Hon. Mr. HOWE: That goes out. Then, section 10:

"The said Act is further amended by adding thereto the following sections:—

20. The Governor in Council may on the petition of the Corporation declare that any number of persons named in the petition, not exceeding seven in number, shall be a body corporate and upon such declaration being made the said persons shall be a body corporate and politic."

Mr. REID: These are all new?

Hon. Mr. HOWE: Yes. That is to provide for the formation of subsidiary companies to operate certain ocean routes.

Mr. HAZEN: Ocean and international? That includes the United States?

Hon. Mr. HOWE: No. We regard the routes into the United States as domestic routes.

Mr. HAZEN: They all come under Trans-Canada?

Hon. Mr. HOWE: Yes.

Mr. REID: Why do you limit it to seven in number?

Hon. Mr. HOWE: We have seven in number on the Trans-Canada board. I suppose we did not want a superior board with more members.

Mr. HAZEN: Why does it not say in that section, "for the purpose of establishing international routes?" Why do you make it so broad?

Hon. Mr. HOWE: We make it narrow? You might as well have it broad. If you are writing an Act you might as well have an Act that answers all purposes.

Mr. JACKMAN: Will it definitely limit it to external companies?

Hon. Mr. HOWE: Yes.

Mr. HAZEN: It will not be limited to external companies under the wording of that section. If it is your policy to limit it to external companies then I think the words should be put in that section.

Mr. SYMINGTON: I think we discussed that the other day. May I remind you that if we did form one for a domestic company it could not do anything because only Trans-Canada—not Trans-Canada Overseas or a subsidiary or anything else—only Trans-Canada can operate domestically. So if we did form a corporation you could not do anything with it. Under this Act only Trans-Canada can do it.

Mr. JACKMAN: On the main lines.

Hon. Mr. HOWE: Or anywhere else.

Mr. SYMINGTON: Anything that the Governor in Council says we are to do.

Mr. BEAUDOIN: Where these explanations not given yesterday when we analyzed paragraph (f) of article 3?

Mr. SYMINGTON: Yes.

Mr. JACKMAN: Mr. Symington, I do not want to repeat things but other lines can still operate in Canada?

Mr. SYMINGTON: Other lines can still operate, but not companies incorporated by Trans-Canada. They could take the capacity to do it but they could not do it because Trans-Canada is under the direction of the Trans-Canada Act to operate the routes that the Governor General in Council says shall be operated by that company.

Mr. JACKMAN: But there may be still other routes as there are at the present time.

Mr. SYMINGTON: But Trans-Canada could not operate them unless the Governor in Council under the Trans-Canada Act ordered them to operate. Even if it were so it gives no greater power to Trans-Canada whether it does it by the original company or by a subsidiary.

The CHAIRMAN: Shall the section carry?

Carried.

Now, section 21.

Hon. Mr. HOWE:—

Whenever the Governor in Council declares any persons to be a body corporate under section 20 of this Act he shall at the same time name the corporation and fix its authorized capital and the par value of the shares.

Mr. REID: That relates to other corporations. Is this something new or is it the same in other cases that the Governor in Council can fix the par value of shares? Is this something new?

Mr. SYMINGTON: No, it is the same thing.

Hon. Mr. HOWE: The only money these subsidiary companies can get is money advanced to them by Trans-Canada Air Lines.

Mr. JACKMAN: And fix the various capital powers; it has no relation to the \$25,000,000?

Mr. SYMINGTON: None at all. That is the Trans-Canada capitalization. We apply for a charter just as in any private company, and they say that the stock of this company shall be divided into so many shares of such and such a value. The Governor in Council says what it shall be.

Mr. JACKMAN: Here you can make it \$100,000,000 if you want to?

Mr. SYMINGTON: We would not have \$100,000,000 to invest because we can only invest from our own capital which is limited—to \$25,000,000.

Mr. JACKMAN: Following that up may I reiterate again what I think I covered yesterday, that none of that \$25,000,000 can be spent on capital account or operating account without coming before this committee, as the procedure is now, and having it authorized by parliament?

Mr. SYMINGTON: I do not know that. I say that the government cannot give the money to Trans-Canada without it being authorized by parliament so to do. That is all. That is done at the present time with the railway. The railway puts in a budget of the money which it requires and that is passed by parliament.

Mr. JACKMAN: Parliament has a look at it anyway.

Mr. SYMINGTON: It does to-day, certainly.

The CHAIRMAN: Shall the section carry?

Carried.

Section 22.

Hon. Mr. HOWE:

22. The persons named in any declaration under section twenty of this Act shall be provisional directors of the corporation.

The CHAIRMAN: Is that all right?

Carried.

Section 23.

Hon. Mr. HOWE:

23. The head office of the corporation shall be such city as the directors may select.

The CHAIRMAN: Is that all right?

Carried.

Section 24.

Hon. Mr. HOWE:

24. The shares of any company incorporated under section twenty of this Act shall be offered for subscription to Trans-Canada Air Lines at par.

Mr. JACKMAN: Does that mean exclusively? It is not likely to be offered to anybody else.

Hon. Mr. HOWE: We have authority to offer 49 per cent to outside people if we want to.

Mr. SYMINGTON: I think not. Trans-Canada took the authority to sell, with the Governor's approval, up to 49 per cent. The only person who can subscribe is Trans-Canada.

The CHAIRMAN: Shall the section carry?

Carried.

Section 25.

Hon. Mr. HOWE:

25. (1) The Governor in Council may authorize the minister to enter into a contract with any corporation incorporated under section twenty of this Act, for the organization, operation and maintenance of air services designated from time to time by the Governor in Council.

Mr. HAZEN: Was any consideration given to having these contracts entered into between T.C.A. and the companies which are to be incorporated under section 20 instead of between the minister and the new company?

Mr. SYMINGTON: Again the answer was, of course, that we wanted to keep the operations of the domestic system completely separate, financially speaking, from the operations of the international company as recommended by the international association. You have to make your returns to the international association on that basis. From an operating standpoint as the head of Trans-Canada I would strongly recommend against any mingling of the accounts whatsoever. Each operation should stand on its own feet so it can be seen what each operation is doing. It may be considered wise, for instance, that there should be only one international company. That would not be my view at present. There will probably be a separate company for each of these long operations, one for the North Atlantic, one for the South Atlantic and one for the Pacific, wherever we go. Personally I think they should be kept separate.

Mr. SHAW: Did you not say yesterday, Mr. Symington, that the international authority insisted upon that being the case?

Mr. SYMINGTON: They did not go so far as to insist upon it being the case but they did insist that the accounts shall be kept separate and returns made to the international body of the complete operations of the international section as opposed to the domestic section. It is much easier to do it if you have a separate company.

Mr. JACKMAN: Mr. Symington, you said your view at the present time would not be to have just one international company if you operate several international routes. May I ask what was in the mind of the framers of the bill when they put in seven companies?

Mr. SYMINGTON: That is seven directors.

The CHAIRMAN: Shall the subsection carry?

Carried.

Subsection (2) of section 25.

Hon. Mr. HOWE:

25 (2) A contract entered into under subsection one of this section shall contain such terms as the Governor in Council may order, including terms for payment of a subsidy to the corporation, which subsidy shall be payable out of moneys to be appropriated by parliament for that purpose.

In the initial stages it may be necessary to subsidize the international operation.

Mr. JACKMAN: Even though 49 per cent is owned by some person other than the Dominion of Canada?

Hon. Mr. HOWE: It may still be necessary to subsidize it. Mr. Symington suggested the trans-Pacific operation. That will require to be subsidized in the early stages. However, that simply gives permission to subsidize. The subsidy cannot be granted unless parliament appropriates the money.

Mr. JACKMAN: The Governor in Council could?

Hon. Mr. HOWE: No, parliament.

The CHAIRMAN: It is in the last line.

Mr. JACKMAN: I think the Governor in Council could do it.

Mr. SYMINGTON: No, "which subsidy shall be payable out of moneys to be appropriated by parliament for that purpose."

The CHAIRMAN: Shall the section carry?

Carried.

Subsection (3) of section 25.

Hon. Mr. HOWE:

25 (3) The Governor in Council may from time to time authorize the minister to enter into a contract amending a contract made under subsection one of this section and containing such terms as the Governor in Council may order.

The CHAIRMAN: Is that all right?

Carried.

Section 26.

Hon. Mr. HOWE:

26. (1) The Governor in Council may authorize the Postmaster General to enter into a contract with any corporation incorporated under section twenty of this Act for the transport of mails.

The CHAIRMAN: Is that all right?

Carried.

Section 26, subsection (2).

Hon. Mr. HOWE:

26. (2) The Governor in Council may from time to time authorize the Postmaster General to enter into a contract amending a contract made under subsection one of this section and containing such terms as the Governor in Council may order.

The CHAIRMAN: Is that all right?

Carried.

Section 27.

Hon. Mr. HOWE:

27. All the provisions of this Act relating to Trans-Canada Air Lines, except sections three, four, five, seven, twelve, fifteen and sixteen shall mutatis mutandis apply to every corporation incorporated under section twenty of this Act.

Mr. HARKNESS: What are those sections?

Mr. SYMINGTON: I will read those to you. They are the things that do not apply. No. 3 is under the constitution of the corporation. That is the original Trans-Canada.

3. The following persons, namely, Valentine Irving Smart, Robert Knowlton Smith, Charles Peter Edwards, Edward Burton Jost and Findlay Malcolm Maclellan all of the city of Ottawa together with such persons as become shareholders of the Corporation are hereby incorporated under the name of "Trans-Canada Air Lines."

Plainly that is not applicable to these new companies.

4. The persons named in the next preceding section shall be the provisional directors of the Corporation.

5. The head office of the Corporation shall be at the City of Ottawa or such other city as the directors may select.

We have already said where the head office is to be. What are the other ones?

The CHAIRMAN: Seven.

Mr. SYMINGTON:

7. (1) The authorized capital of the Corporation shall be five million dollars divided into shares of one hundred dollars each, represented by share certificates.

That plainly does not apply to these corporations. That only applies to T.C.A.

The CHAIRMAN: Twelve.

12. (1) Subject to the provisions of this Act, the Canadian National Railway Company may issue notes, obligations, bonds and other securities (hereinafter in this section called "securities") not exceeding the sum of five million dollars for the purpose of acquiring the capital stock of the Corporation, and the Governor in Council may authorize the guarantee of the principal and interest of such securities on behalf of His Majesty.

That does not apply because the only way that the government can put up money, or the Canadian National if the connection continues, is in the parent company, not in the subsidiary company, so that does not apply.

The CHAIRMAN: Fifteen is the next one.

Mr. SYMINGTON: Fifteen is the contract between the Governor in Council and Trans-Canada Air Lines. That does not apply, of course, because you have provided in the ones you have approved just now for entering into direct contracts with these particular companies.

The CHAIRMAN: Sixteen.

Mr. SYMINGTON: That is the post office mail contract with Trans-Canada. You have just authorized the Post Office to enter into contracts with these other companies.

The CHAIRMAN: Shall section 27 carry?

Carried.

The CHAIRMAN: And now section 11?

Hon. Mr. HOWE:

Section 11. The Governor in Council may by proclamation repeal section seventeen of the said Act.

Section 17 (1) In the month of January in the year nineteen hundred and forty and in every year thereafter while the Trans-Canada contract is in force, the Governor in Council on the joint recommendation of the Minister and the Postmaster General, shall, as hereinafter provided, fix the rate or rates for the current year.

(2) If in the preceding year the corporation incurred a deficit, the rate or rates for the current year shall be fixed so as to produce an increase in the sum total to be paid on account of the said rates equal to the deficit in the preceding year.

(3) If in the preceding year the corporation earned a surplus, the rate or rates for the current year shall be fixed so as to produce a decrease in the sum total to be paid on account of the same rates equal to one-half the amount of the surplus earned in the preceding year: Provided, however, that the rates so fixed shall not be lower than rates payable for other similar coast to coast transport of mails in North America.

(4) The rate or rates so fixed shall apply as from the first day of the current year.

(5) In fixing the rates as hereinbefore provided, it shall be assumed that the corporation's gross revenue and operating expenses for the current year will be the same as in the preceding year, except in so far as the gross revenue will be increased or decreased by any changes in rates.

Mr. JACKMAN: That is the one which should not be lowered?

Hon. Mr. HOWE: That is the mail contract. We can repeal the present mail contract.

Mr. JACKMAN: I suggested earlier that, under the original mail contract, while you had the sliding scale, it did apply to the mail contract. Apparently it does not apply to the mail contract here. Clause 3 says that it must not be lower than rates payable for other similar coast to coast transport of mail in North America.

Hon. Mr. HOWE: That is a lower limit. We anticipated that the efficiency of the line might be such that the automatic working would cut right down below the lowest rate paid in the United States. If so, there was a floor under the thing, below which we would not cut it.

Mr. SYMINGTON: At the time that contract was entered into, the American rates were pretty high. That was before President Roosevelt took the contract away from a few companies and turned it over to the military, and they killed a number of people.

Mr. JACKMAN: But the contract specifies that the mail rate should not be lowered?

Mr. SYMINGTON: That occurred just before the contract, when the rates were very low. Now they have come up again.

Mr. HOWE: I think that finishes that.

The CHAIRMAN: Is that agreeable to the committee?

Mr. JACKMAN: May I ask a question with respect to that: the doing away with clause 16 under No. 27 of the present bill gives us the right now to fix the rate of the other terms set out in that old clause 15, in regard to these new companies that are envisioned?

Mr. SYMINGTON: The Governor in Council may do so, except if there be any subsidy whereupon it must be provided by parliament. The moneys must be provided by parliament.

Mr. JACKMAN: But the fixing of rates is left entirely to the Governor in Council?

The CHAIRMAN: Is that agreeable to you, gentlemen? I suppose the title will carry: "An Act to amend the Trans-Canada Air Lines Act, 1937"?

Mr. JACKMAN: But some of us do not subscribe to the principle of the bill at all.

Hon. Mr. HOWE: Then we can simply report it back without amendment.

Mr. JACKMAN: On division, Mr. Chairman, we have the right. But in committees we do not put in separate reports.

The CHAIRMAN: We have to make a report on this. But whether we can do it separately, and keep the Canadian National Railways separate and so forth, I am not sure how it should be done.

Mr. REID: I think it carries or does not carry by vote of the committee. I have never heard the question raised upon division. The question is put to the committee and the committee votes one way or the other.

The CHAIRMAN: Is that the way? The question then. Well, those for it? Twelve. Against? Three. Twelve and three, is that right?

The CLERK of the COMMITTEE: Yes.

The CHAIRMAN: Well, in order to make a report to the House, there should be a committee set up to do that. Do you wish me to suggest a committee? Suppose we say: Mr. Shaw, Mr. Jackman, Mr. Nicholson, Mr. Maybank, Mr. Harris and, perhaps, Mr. Beaudoin. That is, six members and the Chairman. Is that O.K.?

Mr. MUTCH: Quite so.

The CHAIRMAN: There is one thing. I do not know whether it was done at the last meeting when the Canadian National Railway officials were here.

Mr. HAZEN: This committee will have to report on this bill. That is one thing. And then we will have to report on the accounts as submitted.

The CHAIRMAN: Yes. Do you want a report on the Canadian National Railways separately from the T.C.A. bill, or do you want the Canadian National Railways plus the T.C.A., and the bill separately? Separately!

Mr. MUTCH: The report will come back to the committee.

Mr. HARRIS (*Grey-Bruce*): I think there should be one report with subsections to take care of it all.

The CHAIRMAN: Yes; there should be one report containing subsections to take care of it all.

Mr. HAZEN: There must be some procedure on this.

Hon. Mr. HOWE: I think there should be separate reports, because the report on the bill is treated in one way, and the report on the committee on railways is treated in another way.

Mr. HARRIS (*Grey-Bruce*): The bill being referred to first, there is a separate motion of the House, and we should deal with it separately. But the other items, that is, the T.C.A. and the Canadian National Railways, they should be confined to one.

Hon. Mr. HOWE: That is right. They refer to the Canadian National Railways.

The CHAIRMAN: Whatever the precedent has been in previous years, the committee will make their report accordingly. There is one other thing I would like to bring up. I was not at the final meeting when the Canadian National Railway officials were present. But I am sure that I express the views of the committee, that they wish to express their appreciation to the T.C.A. officials and to all the witnesses that have been called in connection with this. I also want to thank the committee for the co-operation that they have given me. I am a new member of the committee and I appreciate the co-operation they have given me. Is there anything else, or is that all? The committee is adjourned to meet again at the call of the Chair.

The committee adjourned at 5 p.m. to meet again at the call of the Chair.

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SESSION 1945

HOUSE OF COMMONS

STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

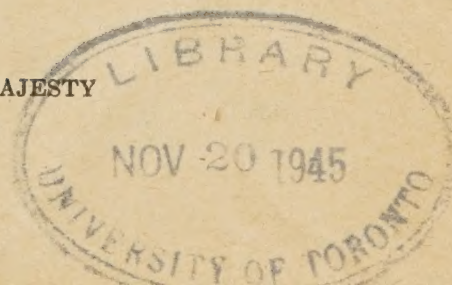
MINUTES OF PROCEEDINGS

INCLUDING FOURTH REPORT TO THE HOUSE

No. 6

TUESDAY, NOVEMBER 13, 1945

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1945



MINUTES OF PROCEEDINGS

Room 268,

TUESDAY, November 13, 1945.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government met this day at 10.30 o'clock a.m. Mr. S. Murray Clark, Chairman, presided.

Members present: Messrs. Clark, Coyle, Beaudoin, Gibson (*Comox-Alberni*), Harkness, Harris (*Grey-Bruce*), Jackman, LaCroix, Maybank, McCulloch (*Pictou*), Moore, Mutch.

The Chairman presented a draft of a proposed Report to the House, prepared by the sub-committee appointed for that purpose at the last meeting held on November 1st, 1945, which was considered by the Committee.

Mr. Maybank moved that the draft-report submitted by the sub-Committee be adopted.

Mr. Jackman moved in amendment thereto that the following paragraph be added to the Report as submitted by the sub-Committee, viz:—

In subsequent years the financial results, in the opinion of the President of the Canadian National Railways System, would depend on the volume of freight and passenger traffic offered. The system's properties are in good operating condition.

The question being put thereon, the amendment of Mr. Jackman was negatived on the following division: Yeas, 4, Nays, 5.

The main motion was carried on division.

The Committee agreed that the Chairman present the Report to the House.
(See Fourth Report)

At 11.15 o'clock a.m. the Committee adjourned *sine die*.

ANTOINE CHASSÉ,
Clerk of the Committee.

REPORT TO THE HOUSE

HOUSE OF COMMONS,

TUESDAY, November 13, 1945.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government begs leave to present the following as its

FOURTH REPORT

Your Committee had, on 17th October 1945, referred to it the following matters, namely:—

- (a) Annual Report of the Canadian National Railways system for the year ended December 31, 1944;
- (b) Annual Report of the Canadian National (West Indies) Steamships, Limited, for the year ended December 31, 1944;
- (c) Annual Report of the Canadian National Securities Trust for the year ended December 31, 1944;
- (d) Annual Report of the Directors of the Trans-Canada Air Lines for the year ended December 31, 1944;
- (e) Report to Parliament of the firm of George A. Touche and Company, auditors of the Accounts of the Canadian National Railways System, Canadian National Railways Securities Trust, Trans-Canada Air Lines, Canadian National (West Indies) Steamships, Limited for the year ended December 31, 1944;
- (f) Financial Budget of the Canadian National Railways System and the Canadian National (West Indies) Steamships, Limited, for the year 1945.

Your Committee held nine meetings in the course of which the said annual Reports of Canadian National Railways System, The Canadian National (West Indies) Steamships, Limited, The Canadian National Railways Securities Trust, The Trans-Canada Air Lines and The Auditors' Report to Parliament respecting the accounts of these companies, for the year ended December 31, 1944 were severally examined and unanimously adopted.

The Financial Budget of the Canadian National Railways System for the calendar year 1945 after careful examination was unanimously approved. Your Committee notes with satisfaction that the said budget for 1945 forecasts an income surplus of \$25,000,000. The requirements under the general capital budget, it will also be noted, are estimated to be \$8,800,000, and for the purchase of new equipment, under a hire-purchase agreement between the government and the railways, the requirements are estimated to be \$24,606,000.

The Financial Budget of the Canadian National (West Indies) Steamships, Limited, for the calendar year 1945 was also examined and approved unanimously. The estimated income surplus in the case is fixed at \$985,000. No capital expenditures are contemplated during that year.

Your Committee has also examined the balance sheets relating to the operations of the Hudson Bay Railway and the financial results.

The task of your Committee was facilitated by the valuable assistance of Mr. R. C. Vaughan, Chairman of the Board of Directors and President of The Canadian National Railways System, Mr. H. J. Symington, C. M. G., K.C., President of Trans-Canada Air Lines and their respective Officers who willingly supplied all information requested of them and your Committee desires to place itself on record in appreciation of this fact.

A copy of the printed evidence taken is tabled herewith.

All of which is respectfully submitted.

S. MURRAY CLARK,
Chairman.

